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THE CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

A STUDY OF METHODS AND RESULTS



CANADA
DOMINION BUREAU OF STATISTICS
INTERNAL TRADE BRANCH
DEPARTMENT OF TRADE AND COMMERCE

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Published by Authority of the HON. W. D. EULER, M.P.,
Minister of Trade and Commerce

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1939

Price—\$1.25.

PREFACE

This volume represents the results of several years' effort. The early statements of the Bureau on the Canadian Balance of International Payments were of necessity based largely on estimates. Since these statistics are indispensable for throwing light on different aspects of Canada's financial position *vis-à-vis* the rest of the world, it was desirable to attain the utmost degree of accuracy possible, and factual data had to be built up to replace mere estimates. The balance of international payments covers a wide range of items including not only the "visible" but the "invisible" items in international transactions. Owing to the complexity and elusiveness of these numerous transactions their statistical recording has been a task of very great difficulty, requiring much preparatory analysis and research so that appropriate concepts and categories might be formulated, and a technique devised to secure the actual factual data. During the past five or six years great advances in this respect have been made, as will be explained in the accompanying volume. While it cannot be claimed that all problems of measurement have been solved, and while in certain parts of the field it is still necessary to resort to estimates, a solid statistical basis has been built up of sufficient comprehensiveness to warrant considerable confidence in the results of the study as a whole, and to reduce residual errors and omissions to relatively small proportions. The work of research and exploration for improved technique will, it is hoped, yield additional valuable data in the future.

The work has been under the direction of Herbert Marshall, B.A., F.S.S., Chief of the Internal Trade Branch of the Bureau. The volume has been prepared by Mr. Marshall with the assistance of Mr. C. D. Blyth, B.A. In the work on investments Mr. W. R. Miller has given valuable help. The assistance given by a multitude of industrial and financial concerns in Canada is gratefully acknowledged. Without their generous co-operation, apart from the requirements of the Statistics Act, the solution of many problems would have been much more difficult if not impossible. Last, but by no means least, co-operative interchanges between the Finance and Investment Division of the Bureau of Foreign and Domestic Commerce, Department of Commerce at Washington and the Dominion Bureau of Statistics have been of great assistance.

R. H. COATS,
Dominion Statistician.

DOMINION BUREAU OF STATISTICS,
OTTAWA, February 25, 1939.

TABLE OF CONTENTS

CHAPTER	SUBJECT	PAGE
	Preface.....	3
I.	Historical Development of Balance of Payments Studies.....	9
II.	Nature and Purpose of Current Balance of Payments Statements.....	15
III.	International Indebtedness—Amounts and Methods of Estimation.....	19
IV.	British and Foreign Capital in Canada—Direct Investments.....	28
V.	British and Foreign Capital in Canada—Portfolio Investments.....	42
VI.	Canadian Investments in Other Countries.....	44
VII.	Canadian Investments in Other Countries—Direct Investments.....	49
VIII.	The Current Account.....	52
IX.	Commodity Trade, Exports and Imports.....	55
X.	Gold Exports and Imports.....	60
XI.	International Tourist Trade.....	62
XII.	Freight and Ocean Shipping Transactions.....	70
XIII.	Interest and Dividend Receipts and Payments.....	97
XIV.	Remaining Items of the Current Account.....	102
XV.	The Capital Account.....	107
XVI.	Sale of New Issues of Canadian Securities Abroad.....	111
XVII.	Redemption of Canadian Securities Owned Abroad.....	118
XVIII.	International Trade in Outstanding Securities.....	125
XIX.	Movements of Capital Connected with International Direct Investments and Trust Companies.....	139
XX.	Insurance Transactions.....	152
XXI.	Other Capital Movements.....	161
XXII.	Geographical Distribution of Transactions in the Canadian Balance of Payments.....	165
	Statistical Tables.....	173
	Index.....	245

LIST OF STATEMENTS

I.	Capital Employed—Excerpt from Census of Industry Schedule.....	20
II.	British and Foreign Investments in Canadian Industries, 1936.....	24
III.	British and Foreign Investments in Canadian Railways, 1936.....	25
IV.	Distribution of Value of Direct Investments.....	38
V.	Distribution of Number of Direct Investments.....	39
VI.	Forms of Investment—Direct Investments.....	41
VII.	Estimated Funded Debt in Canada, 1936.....	42
VIII.	Canadian Investments in the United States, 1934 (American Estimates)....	45
IX.	Canadian Investments in the United States, 1934 (Canadian Estimates)....	45
X.	Estimated Tourist Expenditures, 1924-1937.....	67
XI.	Estimated Expenditures of United States Tourists in Canada and Total Expenditures of United States Tourists Abroad, 1926-1937.....	69
XII.	Tonnages and Rates on Coal to Lake Erie Ports.....	74
XIII.	Rail Charges to Lake Erie Ports on Coal from the United States.....	76
XIV.	Estimated Payments by Canada to the United States on Coal Imports.....	78
XV.	Estimated Freight Paid to United States Carriers on Coal and Non-Coal Imports.....	80
XVI.	Freight Received by Canadian Railways on Non-Grain Exports, 1936.....	81
XVII.	Estimated Freight Received by Canadian Railways on Non-Grain Exports, 1926-1937.....	83
XVIII.	Net Earnings of Canadian Inland Carriers on Exports of Grain, Flour and Other Milled Products, 1926-1937.....	85

LIST OF STATEMENTS—*Concluded*

CHAPTER	SUBJECT	PAGE
XIX.	In-Transit Traffic.....	87
XX.	Estimated Receipts by Canada from In-Transit Traffic, 1926-1937.....	87
XXI.	Estimated Freight Paid on Imports from Overseas via United States.....	92
XXII.	Ocean Shipping Transactions (n.o.p.), 1935-1937.....	94
XXIII.	Summary Table—Debits on Freight Account.....	96
XXIV.	Summary Table—Credits on Freight Account.....	96
XXV.	Interest and Dividends Paid on British and Foreign Investments in Canada and Interest and Dividends Received on Canadian Investments in Other Countries, 1926-1937.....	97
XXVI.	Payments of Interest on Canadian Bonds Owned Outside of Canada, 1926-1937.....	97
XXVII.	Payments of Dividends on Canadian Securities Owned Outside of Canada, 1926-1937.....	98
XXVIII.	Estimated Receipts of Interest and Dividends from Canadian Investments Abroad, 1928, 1933, 1936.....	101
XXIX.	Immigrants Entering Canada, 1926-1937.....	104
XXX.	Canadians Returning from the United States, 1926-1937.....	104
XXXI.	Estimated Earnings of International Commuters, 1926-1937.....	106
XXXII.	Net New Issues or Net Retirements of Canadian Securities Estimated as Owned in the United States and United Kingdom, Five Years, 1933-1937.....	122
XXXIII.	Net New Issues or Net Retirements of Canadian Securities Estimated Owned Outside of Canada, Eleven Years, 1927-1937.....	123
XXXIV.	Sales and Purchases of Securities Between Canada and Other Countries, 1933-1938.....	130
XXXV.	Estimated Distribution by Class of Security of Sales and Purchases of Securities Between Canada and Other Countries, 1933-1936.....	132
XXXVI.	Movements of Funds Between Canada and Other Countries Arising from British and Foreign Direct Investments in Canada, 1926-1937.....	145
XXXVII.	Net Capital Transactions of International Direct Investments, etc. (n.o.p.), 1927-1937.....	150
XXXVIII.	Annual Change in Net Assets of Canadian Banks Abroad, 1927-1937.....	164

LIST OF TABLES

TABLE	PAGE
1. Estimated British and Foreign Capital Invested in Canada, Classified According to Main Types, 1926-1937.....	174
A. Total British and Foreign Investments in Canada.....	174
B. British Investments in Canada.....	175
C. United States Investments in Canada.....	176
D. Investments of Other Countries in Canada.....	177
2. British and Foreign Direct Investments in Canada, 1936, 1937.....	178
A. Total British and Foreign Control.....	178
B. British Control.....	178
C. United States Control.....	179
D. Control in Other Countries.....	179
3. Estimated Canadian Investments Abroad, 1926-1937.....	180
4. Canadian Direct Investments Abroad in Branches, Subsidiaries, etc., by Types of Business, 1937.....	182
5. Canadian Direct Investments Abroad in Branches, Subsidiaries, etc., by Types of Organization and Kinds of Securities, 1937.....	183
6. Tabulation of Specified Items as Percentage of Total Current Canadian International Payment Transactions, 1926-1937.....	184
7. Current Account of Goods, Gold and Services Between Canada and Other Countries, 1926-1937.....	185
8. Merchandise Trade Between Canada and Other Countries, 1926-1937.....	186

LIST OF TABLES—Continued

TABLE	PAGE
9. Gold Exports and Imports, 1925-1937.....	187
A. Total Gold Exports.....	187
B. Gold Imports.....	187
C. Net Non-Monetary Gold Exports.....	187
D. Net Monetary Gold Exports.....	188
E. Purchase of Domestic Gold for Canadian Monetary Stocks.....	188
10. Estimated Distribution of Tourist Expenditures Between Canada and Other Countries, 1926-1937.....	189
11. Geographical Distribution of Freight Receipts and Payments Between Canada and Other Countries, 1926-1937.....	190
12. Interest Payments on Canadian Bonds and Debentures Estimated Held Outside of Canada, by Groups of Borrowers, 1927-1937.....	191
13. Estimated Total Capital Brought by Immigrants into Canada, 1926, 1930-1936.....	192
14. Emigration from Canada, 1926, 1930-1936.....	192
15. Estimated Total Capital Taken Out by Emigrants from Canada, 1926, 1930-1936.....	192
16. New Issues of Canadian Securities Sold Outside of Canada, 1927-1937.....	193
A. Total New Issues Sold Outside of Canada.....	193
B. New Issues Sold in the United Kingdom.....	193
C. New Issues Sold in the United States.....	194
17. Retirements, 1927-1937, of Canadian Securities Originally Sold Outside of Canada.....	194
A. Total Retirements.....	194
B. Retirements of Issues Originally Sold in the United Kingdom.....	195
C. Retirements of Issues Originally Sold in the United States.....	195
18. Net New Issues or Net Retirements (Net Difference Between Sales of New Issues of Canadian Securities Outside of Canada and Retirements of Issues Originally Sold Outside of Canada) 1927-1937.....	196
A. All Groups of Securities.....	196
B. Dominion Direct and Guaranteed (ex Railways).....	196
C. Provincial Direct and Guaranteed (ex Railways).....	197
D. Municipals.....	197
E. Steam Railways—Guaranteed.....	198
F. Steam Railways—Unguaranteed.....	198
G. Corporation Securities.....	199
19. Analysis of Retirements, 1935.....	199
20. Analysis of Retirements, 1936.....	200
21. Analysis of Retirements, 1937.....	201
22. Sales and Purchases of Securities Between Canada and Other Countries by Months, 1933-1938.....	202
23. Analysis of Trade in Securities Between Canada and Other Countries, 1937.....	204
24. Analysis of Trade in Securities Between Canada and Other Countries, 1938.....	205
25. Canadian Life Insurance Companies—Liabilities and Assets Outside of Canada, 1926-1936.....	206
26. Canadian Life Insurance Companies—British and Foreign Securities Held, by Nationality and Country of Deposit, December 31, 1935 and 1936.....	207
27. Canadian Life Insurance Companies—United States Securities Held, by Type of Security and Country of Deposit, December 31, 1936.....	208
28. Canadian Life Insurance Companies—Cash on Deposit Outside of Canada, December 31, 1926-1936.....	208
29. Canadian Life Insurance Companies—Total Transactions in British and Foreign Securities, 1926-1937.....	209
30. Canadian Life Insurance Companies—Estimated Purchases and Sales of British and Foreign Securities, 1926-1937.....	209
31. International Insurance Transactions—Movements of Funds Between Canada and Other Countries, by Countries, 1926-1937.....	210
32. International Insurance Transactions—Movements of Funds Between Canada and Other Countries, by Groups of Companies, 1926-1937.....	210

LIST OF TABLES—*Concluded*

TABLE	PAGE
33. International Insurance Transactions—Movements of Funds Between Canada and Other Countries, by Groups of Companies, 1926-1932	211
34. International Insurance Transactions—Movements of Funds, by Countries and Class of Company, 1933	212
35. International Insurance Transactions—Movements of Funds, by Countries and Class of Company, 1934	212
36. International Insurance Transactions—Movements of Funds, by Countries and Class of Company, 1935	212
37. International Insurance Transactions—Movements of Funds, by Countries and Class of Company, 1936	213
38. International Insurance Transactions—Movements of Funds, by Countries and Class of Company, 1937	213
39. Balancing Items of Current and Capital Accounts Between Canada and the United Kingdom, the United States and Other Countries, 1926-1937	214
40. Estimated Canadian Balance of International Payments—Detailed Statement, 1926 ..	216
41. Estimated Canadian Balance of International Payments—Detailed Statement, 1927 ..	218
42. Estimated Canadian Balance of International Payments—Detailed Statement, 1928 ..	220
43. Estimated Canadian Balance of International Payments—Detailed Statement, 1929 ..	222
44. Estimated Canadian Balance of International Payments—Detailed Statement, 1930 ..	224
45. Estimated Canadian Balance of International Payments—Detailed Statement, 1931 ..	226
46. Estimated Canadian Balance of International Payments—Detailed Statement, 1932 ..	228
47. Estimated Canadian Balance of International Payments—Detailed Statement, 1933 ..	230
48. Estimated Canadian Balance of International Payments—Detailed Statement, 1934 ..	232
49. Estimated Canadian Balance of International Payments—Detailed Statement, 1935 ..	234
50. Estimated Canadian Balance of International Payments—Detailed Statement, 1936 ..	236
51. Estimated Canadian Balance of International Payments—Detailed Statement, 1937 ..	238
52. Estimated Net Balances of Transactions Between Canada and All Countries, 1926-1937	240
53. Estimated Net Balances of Transactions Between Canada and the United Kingdom, 1926-1937	241
54. Estimated Net Balances of Transactions Between Canada and the United States, 1926-1937	242
55. Estimated Net Balances of Transactions Between Canada and Other Countries, 1926-1937	243

CHAPTER I

Historical Development of Balance of Payments Studies

Studies concerning the balance of international payments have a long history,* though it is only in comparatively recent years that they have reached the present degree of comprehensiveness—a comprehensiveness which, nevertheless, still leaves much to be achieved. The earliest studies were usually for a limited purpose in that they were made with the object of shedding light on some specific problem; they often consisted of an investigation concerning a single item of the many which enter into the balance of payments statement. Nevertheless, they were all steps in the direction of a more definitive study. Incidentally they reveal the great variety of purposes for which balance of payments information may be used.

In view of the exaggerated emphasis which the “Mercantile Doctrine” gave to the place of gold in national economies from the sixteenth to eighteenth centuries, it is not strange that among balance of payments items trade statistics received very early attention. The Mercantilists held that it was vital for a country to have a balance of exports over imports, i.e., a “favourable” balance of trade, lest it should suffer the evil of having to part with its stock of precious metals. They did not comprehend that imports and exports are only one item (though usually the most important one) in the total of international transactions, nor that it is not the balancing of commodity exports and imports, which have come to be known as the visible items of international trade, but the balancing of all debts due to a country with debts due by the country, including both visible and invisible transactions, which must be determined in international commercial and financial relations between countries.

Under these circumstances statistics of exports and imports received great emphasis, and the machinery for their collection was, in a large measure, available through the erection of customs barriers and the collection of customs duties.

Closely connected with visible or commodity trade are the “invisible” service items, freight payments and marine insurance. Towards the end of the period dominated by the Mercantilist Doctrine attempts were made to measure the value of such services and to set them down as an international debit or credit.

As financial and economic knowledge grew, further uses for balance of payments data developed arising out of the particular needs of the time. A case in point was the inconvertible currency situation in Great Britain which arose as a result of the Napoleonic wars. Studies carried out by the Bullion Committee and by the Parliamentary Committee on Resumption of Cash Payments made considerable use of balance of payments items. The latter committee used the term “balance of payments of the country” in the sense of the net amount of specie which passed between Great Britain and other countries in settlement of a year’s international transactions. Their inquiry included commodity trade, interest payments and receipts, and the purchase and sale of new securities. The difference between all debits and credits was accepted as a measurement of the net flow of specie. Thus various financial data were definitely linked up with commodity trade in a balance of payments statement meant to illuminate the situation with regard to gold stocks and the general currency situation.

* For a comprehensive treatment of the subject see “The International Accounts” by Cleona Lewis—a publication of the Institute of Economics, 1927, Chapters II to IV, of which this chapter is, in a large measure, a summary.

During the financial crisis of 1893 when much gold was being lost by the United States, the question of foreign borrowings, excess imports, interest and dividend payments, tourist expenditures and shipping charges were studied and formed the basis of a controversy regarding the piling up of international obligations. The Report of the National Monetary Commission, Senate Document No. 579, published in 1910, contains a special study made by Sir George Paish entitled "The Trade Balance of the United States." This work is a rather comprehensive estimate of the United States balance of international payments for the period. It includes commodity trade, movements of the precious metals, tourist and other expenditures, expenditures of immigrants and emigrants, immigrants' remittances, freight receipts and payments, insurance, interest and dividends, and capital movements. This study was concerned also with the question of the maintenance of an adequate gold supply.

A study of Russia's international accounts was made in 1897 for the purpose of furnishing information as guidance for a reform which was to place the Russian currency on a gold basis. Besides investigating various items of balance of payments data, a special study was made to check the accuracy of current export and import statistics.

Some balance of payments studies have originated in taxation problems. In the United States in 1843 a movement was instituted by certain States to have the Federal Government shoulder the burden of their bonded obligations in view of the heavy direct taxes which were pressing upon them. An investigation indicated that the bonded obligations were mostly in foreign hands. A committee's report was favourable to an assumption of the debts at a lower rate of interest, but pointed out that the payment of such interest would be made largely through the medium of cotton, tobacco, etc., thus conserving the country's stock of gold.

Foreign obligations to Europe were brought to the attention of Congress in 1853 by Senator Brodhead, who endeavoured to show the effect of the accumulating foreign indebtedness by presentation of balance of payments data. These included commodity trade, interest, tourist expenditures, expenditures on the foreign diplomatic service, expenditures of the navy in foreign stations, the Mexican indemnity, immigrant remittances, movements of gold and silver and the balancing item, assumed to be the net increase in foreign indebtedness. He urged the necessity of full information regarding the nation's foreign indebtedness and presented a resolution to the Senate directing the Secretary of the Treasury to inquire and report concerning "the aggregate amount of Federal, State, city, county, railroad, canal, and other corporation bonds, stocks, or other evidence of debt held in Europe, and other foreign countries, on the 30th of June, 1853, specifying separately so far as can be ascertained, the amount of each of the above description of bonds and stocks."* The resolution was adopted and a report was published eventually by the Treasury.

Due to the civil war the United States experienced another period of very heavy taxation and as a result David A. Wells was appointed to make a special study of the situation. In connection with his inquiry he made a very careful survey of all classes of foreign debts, based upon data which he obtained from banks, railway companies and government authorities. He also developed a balance of payments statement covering the period 1868-9 which included trade, interest, shipping and tourist trade and took the balancing item as indicating the net increase in foreign indebtedness.

When foreign investments reached a large scale their significance to creditor as well as debtor nations became the subject of discussion. A committee headed by Léon Say investigated the means employed by France in

* Appendix to the Congressional Globe, 32nd Congress, 3rd Session, (1853) pp. 309-311.

meeting the German indemnity and included in its report a rough summary of the international trade and financial transactions of France during the period of payment.* The economic importance of such foreign assets was brought out by this report. It was stated that about two billion francs in foreign securities owned by Frenchmen were sold and along with interest received from foreign securities furnished a part of the indemnity. Other balance of payments items such as trade, specie movements, and tourist expenditures were included in the study, which was the most comprehensive published up to the time and for a considerable period thereafter.

British trade, in view of the creditor position, has been characterized by a surplus of imports over exports over a long period, and from an early date the significance of this "unfavourable balance" has been an object of investigation. It was essential to know whether the import balance was created at the expense of foreign investments and the answer to the question required a comprehensive study of Britain's balance of international payments. The necessity of answering this question led during the last half of the nineteenth century to the development of the technique of estimating the various items which enter into the statement. An important contribution was made by A. D. McKay in 1877 in an article published in the *Economist* (London). He showed that British import values had to be reduced by the amount of freight included in the valuations which was paid to British ship-owners and that to export valuations should be added the amount of freight collected by British ships for carrying the exports, also insurance and other charges payable to British institutions. These corrections reduced the import surplus over a period of nineteen years from 1,193 million pounds to 23 million pounds. Though other important balance of payments items were omitted from his study, his work indicated clearly the inadequacy of trade statistics alone for revealing current trends with regard to foreign investment.

In succeeding years Sir Robert Giffen made more exhaustive studies to show that Great Britain was not using up her foreign capital. He not only presented figures for shipping income, brokerage, commission and insurance premiums, but also presented various methods of estimation. He also made somewhat cruder estimates of interest receipts. Regarding other items he stated:

"I do not propose to go farther into this question of the balance of indebtedness in the international transactions for the United Kingdom. To complete it would require an elaborate investigation of the magnitude of private investments, while such points as the expenditure of British citizens abroad, and the expenditures by foreigners in this country, and the minor movements of international capital in connection with exchange operations, would all require to be considered I shall be quite content if I have established to your satisfaction (1) that the question to be investigated is not that of diminution, but of the increase, of our investments abroad and (2) that, whatever may be our conclusion on this point, the import and export figures themselves are only a small part of the question, and that the use of these figures by some writers as if they were the whole, is only to be excused, if it is excusable, on the score of ignorance of the nature of statistics and the necessary conditions of dealing with them."**

Sir George Paish carried the data on British foreign investments down to the outbreak of the war, working much along the same lines as Sir Robert Giffen, but being especially interested in ascertaining the actual amount of foreign investments and the division of it into various classes.

* Say, Léon; *Rapport sur le paiement de l'indemnité de guerre*, 1874 pp. 70-71.

** *Journal of the Royal Statistical Society*, March, 1882, p. 223.

A broader use was often made of balance of payments data as, for example, when in 1913 Germany made a general study of her national wealth and income. The study included an estimate of the income derived from foreign investments and the capital amount of such investments.

In 1902 France made an official survey of her foreign investments in view of the belief held by numerous Frenchmen at the time that the amount of foreign investment was having a retarding effect on industrial and commercial activities at home.

In 1914 C. K. Hobson published a book entitled "Export of Capital" in which the general question of the economic effects of international capital transfers are analyzed. It contains a calculation of British foreign investments for the period 1870-1912, along with an explanation of the statistical methods used.

Of even broader scope was the study made in connection with the official report on the Rise in Prices and the Cost of Living in Canada, published by the Canadian government in 1915. In the second volume, prepared under the direction of Dr. R. H. Coats, a chapter is devoted to the growth and distribution of capital from 1900 to 1914 and its relation to the rise in prices. Foreign capital investments in Canada were estimated and the uses made of such borrowings were traced. In these estimates there was deducted from the value of exports the total amount payable by Canada for services; and from imports, all such income receivable by Canada. The net figures are taken as indicative of the amount by which the country fell short of meeting its international obligations each year and for the period, the balances being accounted for by borrowing.

An increasing recognition of the importance of balance of payments statistics led to the study of existing technique by scientific bodies, particularly the International Institute of Statistics in the early nineties and up to the outbreak of war. Alfred Neymarek at the Institute meeting of 1891 stated that no systematic effort was being made toward the assembly of data on international debts and investments. Up to 1914 he made ten reports to the Institute gradually accumulating materials from many nations.

Since the war there has been a widespread development of and interest in balance of payments statistics induced and, indeed, necessitated by the international debt and reparations situation which arose as a result of the war, although various other important purposes were also incentives. The chief purposes may be briefly summarized.

One important purpose was served by special studies for the verification of the classical theory of international trade. These were inspired by Professor F. W. Taussig and were the work of Harvard men. Among them was that of Jacob Viner, published in 1924 under the title "Canada's Balance of International Indebtedness in 1900-13." Dr. Viner undertakes an "inductive verification" of the "classical explanation of the mechanism of international trade" under gold standard conditions, using Canada's experience as an example.

A very widespread use of balance of payments data was made in connection with the capacity to pay war debts. For example, it was claimed by many after the war that Germany was fully able to pay large reparations although her holding of foreign securities had largely disappeared. It was believed that she was accumulating large foreign balances and investments abroad through the sale of paper marks and by her foreign trade. The whole question received extensive study on the part of the Reparation Commission, but special studies were made independently by others, among whom was Mr. J. M. Keynes. Such studies dealt with Germany's international financial position in the early part of 1922. Somewhat later the Institute of Economics published "Germany's

Capacity to Pay," which contained a study of the balance of payments data for Germany for the period 1894 to 1922. Later studies dealt with the question of how Germany had been able to transfer the sums payable under the Dawes Plan and dealt with the question of future payments.

"Austria's Balance of Payments and Her Capacity for Independent Existence," written by Professor Hertz of Vienna and published in 1925, and "Rumania's Balance of Payments in Relation to Her Economic Policy" by Professor I. N. Angelescu, published in 1925, are indicative of the use made of balance of payments statistics in the succession states in the post-war period.

Italian war debt negotiations gave rise to much argument regarding transfer difficulties and led to extensive balance of payments studies. In particular, a comprehensive survey was made by Professor Gino Borgatta of Pisa for the use of the Italian government at the World War Debt Funding Commission of the United States and in connection with Anglo-Italian negotiations. "Italy's International Economic Position," a study by C. E. McGuire of the Institute of Economics, contained a comprehensive survey of balance of payments items from pre-war to post-war periods for Italy and indicated their bearing on the international economic position of the country.

Fluctuations in French exchange have given rise to much study of balance of payments data. Among these are those of M. René Pupin and M. Jules Décamps from 1919 to 1923, those of M. Pierre Meynial, 1925 and 1926, by *l'Information* in 1925 and the Institute of Economics in 1925.

There is now a widespread appreciation of the need for annual authoritative studies of the balance of international payments and many countries have undertaken such. Important work has been done in recent years by the Economic and Financial Section of the League of Nations which has been urging upon governments the importance of compiling and publishing such statements, and has attempted to co-ordinate and standardize balance of payments inquiries. Its three-fold purpose comprises: (1) To have as many countries as possible furnish a statement; (2) To improve and standardize methods; (3) To make reports easily available.

"The efforts now being made toward securing continuous and comparable data with regard to the international trade and financial transactions of various countries represent the outstanding development in this field during the war and post-war period. In contrast with what is thus promised for the future, a review of the work done in the past shows this to have been, on the whole, discontinuous and disconnected. For few countries, indeed, have accounts been published covering a consecutive period of as much as, say, ten, fifteen, or twenty-five years. And not only do the earlier studies, with some few exceptions, cover short and isolated periods of time; they also show considerable lack of uniformity in their form and content. As a rule, therefore, they cannot be easily pieced into connected stories for the countries concerned.

"One very effective reason for the lack of continuity in existing data for various countries is the fact that the work of compiling and presenting the international accounts of a country is an enormous one. It not only requires much time, energy, and initiative on the part of the investigator but, if satisfactory results are to be attained, it is also practically necessary that he have the co-operation of the many banks and business houses that are directly in touch with the situation. Such co-operation, for example, is needed in the compilation of the basic data to be used in estimating the interest item in the accounts. But to secure such co-operation and to get adequate information on this one item alone, and for a single year, is a heavy task for one person to undertake. To bring this information down to date year after year would require a fair

share of a man's working life. The interest item, however, is only one of the many items in the accounts. The investigator who would attempt to include all of the items in his statement of the accounts, and to draw up such a statement year after year, would indeed have undertaken a full-time job. Even government agencies have found their vast resources taxed by the difficulties of the work, and until recently have been content to make these studies only as special occasions required."*

* Op. cit. (*The International Accounts*), pages 42-43.

CHAPTER II

Nature and Purpose of Current Balance of International Payments Statements

"Balance of Trade" figures are still frequently misinterpreted, due to the persistence of the Mercantilist Doctrine already mentioned, that a nation's trade is in a healthy state when exports exceed imports, necessitating an import of gold to make up the difference; trade was then said to show a "favourable balance." This theory took account only of the "visible" or commodity items of trade, whereas a true statement of a nation's international position can only be known when not only the commodity items are considered, but also the "invisible" items such as interest, freight, immigrant remittances, financial services, tourist traffic, etc. In short, all debit and credit transactions must be considered—all the valuable things and services received from other countries must be balanced against all the valuable things and services transferred to other countries during a given period of time. This statement must balance, for even if we receive more goods and services than we give out, or *vice versa*, the difference in total debit and credit values must be balanced by a borrowing or lending operation. If it does not balance, the fault lies with the inadequacy of the estimates of individual items. So numerous and complicated are the international transactions of one country with others that it is impossible to record all of them, hence resort must be made to estimates, and such being the case it is inevitable that errors and omissions should exist. Improvement in statistical methods has already reduced the extent of these and, as the methodology improves, it is to be expected that the estimates will be subject to a progressively smaller margin of error.

A nation's balance of international payments, therefore, may be defined as a tabular presentation of the amounts of the various visible and invisible exports and imports of the country. It represents the result of an effort to sum up and tabulate the entire list of commercial and financial transactions which one country has with all others. It consists of so-called "visible" and "invisible" items. The visible item is the trade in commodities; that is, commodity exports and imports, gold usually being shown separately. All other items come under the head of "invisible" and include interest and dividends, tourist trade, freight, insurance transactions, capital of immigrants and emigrants, immigrants' remittances, capital borrowings and repayments, and many others.

To compile such a record on a factual, as opposed to a merely estimated basis, is beyond the powers of private initiative, and must be undertaken by governments. It involves the keeping of voluminous records, the nature of which will become clearer in later portions of this book and, in order to obtain such records, there must be generous co-operation on the part of industrial and financial institutions of all kinds. Moreover, the government department compiling the balance of payments statement does not collect all the original data for the estimates, but is dependent upon other departments for some of it. This is usually so in the case of trade statistics and immigration statistics. If such statistics are not accurate or in sufficient detail, then no matter what care the compilers of the balance of international payments may exercise the final results will include errors. The fact that tourist trade figures are often associated in respect of original records with trade or immigration figures and, from the departmental point of view, are merely a by-product of its main interest,

renders the task of obtaining sufficiently comprehensive data more difficult. Sometimes where information which could be used for balance of payments compilations already exists as in the case of income tax statistics, it is inaccessible through shortage of facilities for compilation.

In view of the time and labour involved and the difficulties which have to be overcome in order to collect adequate statistics for a balance of payments statement, the question of its importance is paramount. What purposes are served by such a statement? What contributions does it make to vital statistical information? The historical review contained in Chapter I gives a general idea of the purposes for which such information has been gathered in the past. It remains to outline the purposes which current studies of the Canadian balance of international payments can be made to serve.

A complete balance of payments statement is tripartite. It should contain, first, a statement of international indebtedness. That is to say, it should show by categories the amount of a country's indebtedness to other countries through borrowings and investments and, on the other hand, the value of its investments in other countries. Secondly, there should be a current account showing a year's transactions in all the visible and invisible items constituting its international trade. In the third place, there should be a current capital account which will contain the record of the year's capital movements inward and outward.

The Canadian statement of indebtedness shows investments in Canada under three geographical divisions, viz., (1) United Kingdom, (2) United States, (3) all other countries. Each of these three divisions is subdivided into thirteen sub-groups. Canadian investments abroad are shown in the same three divisions and in five sub-groups. Information is also available which permits distinction between direct and portfolio investments; the direct investments, of course, consisting of branch, subsidiary, affiliated and controlled firms. These statistics, therefore, not only furnish an estimate of the total amount of outside capital invested in Canada, but furnish details which reveal the nature of such investments and similarly with Canadian investments abroad. When statistics of British and foreign investments in Canada are compared with our total national wealth, we are enabled to see these outside investments in proper perspective. They are approximately only 25 per cent of our national wealth. It can be shown also that control of Canadian business capital by shareholders in other countries is not much above 15 per cent and these percentages make no allowance for nearly \$1,700 million of Canadian capital invested abroad.

As regards the second part of the statement, viz., the current account which contains all the debit and credit items of international transactions for a current year, it serves many purposes. In the first place, it shows the relative magnitude of the various items of Canada's international transactions. Commodity trade is always the most important, but a perusal of any annual statement will show that on the credit side tourist trade is of first rate importance. Particularly in recent years our sales of gold have built up for us large credits abroad. On the debit side interest and dividend payments are very heavy. Other items are much less important though freight payments create a moderate net debit against us each year. The current account, therefore, shows how we have built up credits and debits with other countries in the current year, but it shows in addition how a balance between debits and credits is brought about. As previously stated, the account must balance, but it is not correct to say that it balances through an equivalence between exports and imports of goods and services. There will almost always be a difference between the total debits and credits of goods and services even if the values of these have been estimated with absolute accuracy. This difference, apart from any errors or omissions, represents capital flowing into or out of the country, and this capital item brings

the account into balance. If the debits for goods and services exceed the credits, the capital item represents a net inflow, and if the credits are greater, it represents a net outflow.

It will be obvious that such a statement throws a flood of light upon what is popularly known as the "favourable" or "unfavourable" balance of commodity trade. It explains the surplus of exports over imports or *vice versa*, and it is only by setting forth the items of the balance of international payments that it can be understood. In the light of balance of payments statements, it can be shown that so-called favourable or unfavourable balances of commodity exports may mean different things in different countries at the same time. In the United Kingdom an unfavourable balance means that interest and dividend and maturity payments, earnings from shipping and other services, are flowing into the country. In Canada an unfavourable balance, unless it is counteracted by invisible credit items on current account, would mean that we were borrowing (and perhaps to some extent withdrawing) capital from abroad which was reaching us to a large extent in the form of goods. The large favourable balances which were typical of United States trade in the twenties are explainable for the most part by the fact that she had become a large capital-lending country. A favourable balance in commodity trade for Canada means that we are making large interest and dividend payments abroad, and that we are reducing our foreign indebtedness by paying maturities, calling in our bonds before maturity, or repurchasing our securities held abroad, and that we are paying for such in large part by goods though services also fulfil the same purpose. A current account, then, drawn up with approximate accuracy is indispensable for the understanding of commodity trade balances.

The third part of the balance of international payments statement, *i.e.*, the capital account, sets forth the inflow and outflow of capital items and includes proceeds from the sale of new securities abroad, payments for maturities, retirements, sinking funds, receipts and payments arising through the purchase and sale of outstanding securities, branch plant capital transactions, and so forth. If there were no errors or omissions in the current account, the net credit or debit balancing item would give the exact net movement of capital into or out of the country. This balance should agree with the balance in a complete capital account. Some errors and omissions in the current account being inevitable, a capital account is necessary not only to furnish a detailed picture of capital movements to supplement the net balancing item in the current account, but to show how much of the capital movement can actually be traced and recorded. The difference between the balancing items in the current and capital accounts is taken as a measure of net errors and omissions.*

If the three parts of the balance of international payments statement now be considered as a whole, it is apparent that there is available a vast amount of information regarding the course of Canadian international transactions and the financial interrelationships of Canada with other countries. A series of such statements will show whether our indebtedness abroad is increasing or diminishing. It will show amounts invested in Canada by our chief creditors and how the relative proportions are changing. It will show the nature of the investments, how much represents a direct investment in our productive enterprises and how much is portfolio investment in government and industrial securities. The yield on these investments in dividends and interest, which must be sent abroad each year, will be shown. Similar information will be available for Canadian investments abroad. Then there will be a picture of current yearly capital movements and how the capital transfers took place. The importance of various items such as tourist traffic, interest payments and gold move-

* Of course there may be errors in some of the estimates in the capital account itself.

ments will be revealed. Such data can be used for many purposes and from them many deductions can be drawn. Among the important uses to which the Canadian statistics have been put are the following:—

1. The figures have been used in connection with negotiations for trade agreements. Their usefulness in this respect is obvious. If Canada is heavily indebted to another country it is a potent argument for generous tariff treatment because interest, dividends and maturities must be paid in a large measure in the form of goods. If favourable commodity trade balances are used by a creditor nation which buys more goods from Canada than she sells, as an argument for tariff concessions, the balance of payments figures are indispensable as showing the extent to which a favourable balance is necessary in order to make dividend, interest and maturity payments.

2. These statements are indispensable because they furnish an important part of the statistics designed to show the financial standing of a country in its relations with the rest of the world. In connection with Canadian borrowings in the United States, the Securities and Exchange Commission requires the balance of international payments statements as part of the information to be contained in the prospectuses covering the loan. Because of the Canadian issues listed in New York, annual statements are also required by the Commission.

3. Many attempts are made to explain the movements of Canadian exchange rates. Since the items included in the balance of payments statement constitute the demand for and supply of exchange, these data are fundamental for such studies.

4. The data furnished in a balance of payments statement are basic for estimating the effects of a policy of currency depreciation or appreciation.

5. In view of the numerous contacts which balance of payments data have with the various aspects of the Canadian Economy, this information is of basic importance as a guide to policy. For example, it would be like taking a leap in the dark to formulate policy, without the aid of these statistics, on subjects such as the following: branch plants, foreign borrowing, development of tourist traffic, exchange control, and so on.

Succeeding chapters will reveal the many varied types of information made available by these studies both as regards individual items in themselves and in the interrelations which make up the complete statement.

CHAPTER III

International Indebtedness—Amounts and Methods of Estimation

Estimation of the capital indebtedness of a country is a task which presents immense difficulties. These arise, not only because of the complexity and number of such investments, but also because of different meanings of the term "capital investment." Capitalization, capital employed, capitalized earnings, par value, book value, market value, replacement value, original value, are all valuation concepts which claim consideration. Most foreign investments are represented by securities, and if capitalization be chosen as the starting point for ascertaining investment values, then a choice must be made between the par, market, and book value of the securities. All of these are subject to certain limitations. If par value be chosen, the difficulty presents itself that many securities are "no par" stocks and some other criterion of investment value has to be found for them. Moreover, though par value is a satisfactory criterion at the time of the original investment, it may soon cease to be so. If profits have been put into the business for a number of years instead of being distributed as dividends, the original par share may be worth double or treble its original value in realizable net assets. On the other hand, an unfavourable business record may have caused the original capital to be lost in whole or in part, and again par value is not a true criterion of realizable value. Also par value may be merely nominal and not representative of actual investment in the business. In the mining field much of the capitalization is only nominal and does not represent investment in the enterprise. For example, it is a common occurrence when a mining property is being taken over from a prospector to give him in part payment a large block of shares which usually have little or no relation to his expenses in discovering and working on the prospective mine.

Market values as a criterion have also serious defects. Such values show wide fluctuations during the course of the business cycle. One has only to examine the peaks and valleys of a curve based on the index number of security prices to see how erratic an indicator of capital investments market values can be. Of course, if at any point in the time series the investor in Canadian securities sold out his holdings he would realize the market value, but the problem is to put the most reasonable valuation on the totality of international indebtedness. One weakness of market values is evident if we consider the fact that an important determinant of common stock prices is their earning possibilities. It is a well-known fact that these are frequently too optimistically appraised in a rising market and too pessimistically viewed in a falling market. The stock market swings to extremes. Therefore, on a market valuation basis intrinsic capital worth is exaggerated or unduly depressed. The price of a stock which has ceased to pay dividends for the time being will drop to a fraction of its former level, but the capital investment may be intact and may eventually prove to be as remunerative as before, and perhaps even more so.

Book value, where the meaning is the real equity of shareholders in the business and not some fictitious figure set down as the value of the security capital, is a relatively satisfactory basis if it can be procured. Unfortunately, balance sheets are not easily available for all firms, and, in many cases where they are, they lack the completeness, clarity and accuracy necessary to yield the requisite data. Moreover, the real equity value (book value in the above sense) is extremely difficult to ascertain, no matter how much those who draw up balance sheets may desire to show it. Many problems confront the appraiser of a going concern. It consists of land, buildings, machinery, equipment, raw

materials, stocks of finished goods, office furniture, goodwill, and so forth. Should buildings and machinery be valued at original cost, depreciated cost or replacement value? What value should be placed on goodwill? Would the fairest method be to capitalize earning value? If so, should it be current earnings, average earnings over a period of years or should prospective earnings also be included? Such questions are sufficient to indicate that varied views can prevail as to what the value of a capital investment really is.

Another limitation of the "book value" method is that it cannot be applied to the very large investments which outsiders have in Canadian government bonds. The worth of these can scarcely be decided by a book valuation in the sense indicated above. If interest is being paid, par value will be a fair criterion because, even if current interest rates set the market price at a discount or a premium, the government is obligated to pay the face value at maturity. The same holds true of corporation bonds where interest is paid. In governments or corporations where part of the capital value is lost and where the owner of the bond cannot hope to realize its face value at maturity, the par value will have to be written down.

Another method of arriving at capital investment is through a census of industry which includes a question on "capital employed" as distinct from capitalization. The Dominion Bureau of Statistics, in its annual census of industry, includes the following question:—

I. *Capital Employed*.—The answers should show the total value of assets employed on the last day of the year.

- (a) Present value of land, buildings, fixtures, machinery, tools and other equipment *owned* by the firm reporting.
- (b) Estimated value of land, buildings, fixtures, machinery, tools and other equipment *not owned* by the firm reporting.
- (c) Inventory value of materials on hand, stocks in process, finished products, fuel and miscellaneous supplies on hand.
- (d) Cash, bills and accounts receivable, prepaid expenses, etc. (Do not include loans to or investments in other enterprises.)

The instruction sheet which accompanies the schedule contains the following:

Capital Employed

The purpose of this section is to ascertain the assets employed for *manufacturing purposes only*. Any investment which is not a proper charge against manufacturing operations carried on in your establishment should, therefore, not be included. For this reason exclude investments in other establishments or any of your investments in land, buildings and equipment which are not used in manufacturing or which are under construction. If your plant and residence are under the same roof, report only that part of the building which is used in manufacturing.

(a) and (b). *Value of Land, Buildings, etc.*—If the building which you occupy is rented, give an estimate of the value of that part of the building which you occupy. If any part of your machinery or equipment is rented, give an estimate of the values. If you are unable to estimate its value, give the annual rental you pay. The value of your fixed assets should be the present value; that is, the original cost plus additions less depreciation (decrease in value) to date, plus any increase in land value.

This questionnaire permits an annual figure to be obtained relating to the capital employed by firms reporting to the Industrial Census. The decennial Census of Distribution included information concerning capital employed in merchandising and service establishments.

These "capital employed" figures unquestionably have their limitations. There is doubtless a lack of uniformity in the basis upon which the questionnaires are completed. Nevertheless, the results furnish valuable information.

They at least give an approximate index of the amount of capital employed in Canadian industry. They give an approximate idea of what the "book value" in the sense of equity value would be, including the capital value of bonds and preferred stocks.

One defect of the capital employed data as a basis on which to estimate international indebtedness is that the totals exclude all plants which are not operating in any year. If the capital in these is intact and they will resume operations subsequently, they should be included and an addition has to be made for them. On the other hand, they include capital which does not actually belong to the operating firm since it is asked to include the estimated value of land, buildings, fixtures, machinery, tools and other equipment *not owned* by the firm reporting.

Census of Industry figures will fluctuate with movement in the business cycle since certain assets must be written down in a period of depression. Consequently, there will be in some years a considerable drop in the capital investment and therefore in the value of the shares owned in Great Britain and foreign countries, which cannot be attributed to the withdrawal of capital. This is as it should be, however, for the shareholder's equity must diminish with the deflation of assets. These figures, of course, will also reflect the plowing back of profits, and to that extent the British and foreign share will be higher. In view of such facts, it is obvious that the figures cannot be used as a basis for ascertaining the inflow and outflow each year of investments in Canadian industry by outsiders. The question of capital inflow and outflow can be handled most clearly and accurately by making of it a separate inquiry and using special methods for its solution. The estimate of investment now under discussion is for the purpose of showing the amount of the capital indebtedness of governments and corporations on the best basis of present worth attainable. In particular, this estimate has to do with the capital indebtedness due to people outside of Canada. The figures should attempt to show the amount which could be paid to outsiders if all government bonds were paid off at par and if corporations could all be liquidated at the present worth as shown by the Census of Industry's capital employed figures.

The foregoing discussion should be sufficient to indicate that whatever method is used for ascertaining international indebtedness, the resulting figures must not be considered as absolutely correct but as approximate measurements of the magnitudes involved.

Some studies made recently in the Bureau furnish corroborative evidence as to the approximate accuracy of the estimates of British and foreign investments in Canada. The "capital employed" method of ascertaining total outside investment in Canada has been used because the basic data were available through the Industrial Census.* As a check on the results of the method, a second one has been utilized recently, viz., that of "book value." Bonds and preferred stocks of individual concerns were valued at par or stated value. Common stocks were given the value which they carried in the company's annual report plus accumulated surplus or minus accumulated deficit. It was found that the value of British and foreign investments in Canada, reckoned by this method, while showing sizable differences in a small number of sub-groups, approximated fairly closely to those reached by the "capital employed" method. Some of these comparative data will be found at the end of this chapter.

A description of the actual methods now in use by the Bureau may now be given. Starting with the figure for total capital investment in Canada, as shown in the Industrial Census, it is necessary to have statistical data so that the total

* Estimates of direct investments were separately compiled by the "book value" method, owing to special difficulties inhering in the "capital employed" method when applied to this field. See Chapter IV.

can be subdivided into capital owned by Canadians and capital owned by the inhabitants of other countries. The Bureau ascertains by direct inquiry what firms in Canada have some British or foreign interest. The geographical distribution of ownership of such firms is checked periodically and entered in the files of corporation records, a separate card being available for each firm. These cards are classified into categories to distinguish direct from portfolio investments. Direct investments include all firms which are "controlled" in another country. A discussion of the field of investment covered by direct investments will be found in Chapter IV. Portfolio investments include the minority interest of outsiders (both private individuals and firms) in Canadian corporations, as, for example, the British and American holdings of Steel Company of Canada, Consolidated Mining and Smelting Company, Dominion Textile Company, and so on.

While it is possible to secure the geographical distribution of the ownership of their stocks from the companies concerned,* it is impossible in many cases to obtain the same information for bonds, most of which are of the bearer coupon variety. However, a certain amount of information is available from other sources. When bonds are first issued their geographical distribution is made known in lists published by various investment dealers and also in certain financial papers. For the period 1914 to date the taking of public issues of other countries in the United States has been listed by the Department of Commerce. A record of outstanding Canadian securities originally floated in whole or in part in the British market is found in the Stock Exchange Official Year Book.** From these and other supplementary sources a record of the original geographical distribution of ownership of the bonds of Canadian governments and corporations has been compiled. Such a compilation has its limitations. In the first place, all sources do not agree as to the geographical distribution of a particular bond, and it is necessary to make a more or less arbitrary decision as to the amount which shall be taken. A second and much more serious limitation is that the distribution, about which information is available, is the *original* distribution. In view of the fact that a great many Canadian bonds enter into international trade, the original distribution would be subject to correction from the very day the bonds were first marketed.

Fortunately, information has now become available to the Bureau which not only enables it to record current changes in the outside ownership of Canadian bonds, but which has made possible important corrections for changes in that ownership which took place in previous years. Current changes are ascertained by means of a monthly return on the purchase and sale of securities between Canada and other countries which is made through the co-operation of the Investment Dealers' Association, the Canadian Bankers' Association, the various Canadian Stock Exchanges, brokerage houses which are branches of American concerns and not members of the Canadian Stock Exchanges, and other agencies. These returns show not only total amounts of sales and purchases, but are broken down into classes and sub-classes of securities. A sample of the data received is shown in Tables 23 and 24. As a consequence, month-to-month changes in the ownership of Canadian bonds, Dominion, provincial, municipal, railway and corporation are known. This information is available by groups, not by specific issues, but it is sufficient to serve as a corrective factor.

Information regarding past changes in the ownership of Canadian bonds originally floated abroad is available for those floated in Great Britain from the branches of Canadian banks located in London and certain other financial

* Nominee holdings present a difficulty in some cases.

** Formerly two publications, the Stock Exchange Year Book and the Stock Exchange Official Intelligence.

institutions. Because of British income tax regulations as to exemptions, these firms have information regarding the ownership of Canadian sterling issues for which they act as agents. Data are therefore available on the holdings of non-residents of the United Kingdom claiming exemption from British income taxes. The portions of the issues still held by British holders can therefore be calculated.

Prior to 1914, Great Britain was the source of most of the capital borrowed by Canada from abroad, but commencing about 1910 the United States began to take a greater interest in the public issue of our securities. During the earlier war years, considerable sums of money were borrowed by Canada from the United States. It was, however, in the post-war period that the United States, in its newly-acquired capacity of a great capital-lending nation, became the source of extremely large loans to Canadians. On the other hand, only occasional loans were floated in Great Britain after 1914. As a matter of fact, there is no doubt that the outstanding bonded indebtedness of Canada to Great Britain has been considerably reduced. In the immediate post-war period, that is to say from 1919 to 1924, sterling exchange was at a considerable discount relative to the Canadian dollar. This gave Canadians an excellent opportunity to repurchase sterling and optional payment securities at bargain prices, and they were not slow in availing themselves of the chance. There is abundant evidence of this type of repurchasing during the period. Journals published currently estimated that as much as \$100 million of such securities were repurchased by Canadians in a single year. So great was the outflow of capital from Canada that an attempt was made to check it by Sir Henry Drayton, the finance minister of the time, because of some undesirable repercussions on internal financial conditions connected with Victory loans. The effort involved a semi-official embargo in that it took the form of voluntary co-operation on the part of dealers. There was a good deal of opposition and the effort fell short of complete success. It is also known that a considerable portion of the repurchases of this period were afterwards resold to the United States.

In the period 1931 to 1933, sterling was at a heavy discount in terms of the Canadian dollar and Canadians again repurchased sterling and optional bonds from British holders in large quantities. It is true that, in the following years when sterling rose to a premium, Great Britain made heavy purchases of Canadian securities, but this purchasing was mostly concerned with stocks. In fact, for the period 1926 to 1937, the evidence indicates net repurchases by Canadians of their own bonds from Great Britain. An investigation into the holdings of sterling securities by Canadian insurance companies, for example, indicates that there was a heavy repurchase of such securities particularly from September, 1931 to June, 1933. Although these institutions have sold many of the securities since then, there is reason to believe that they were mostly absorbed in Canada, when the reduced British holdings of Canadian bonds revealed by the data received from British paying agents for such issues mentioned above are considered. On the basis of this information recently acquired, it is estimated that, of the bonds now outstanding which were originally sold in the London market, \$150 million have been repurchased by Canadians, half of this amount before 1926 and half of it from that date to the present. Previous estimates of British capital investments in Canada have been revised to take account of these new data.

With regard to American holdings of Canadian bonds, no revisions have been made in earlier figures based on original distribution, for several reasons. Though the estimates may be high in some cases, overestimates are offset by other circumstances. Influences tending to overestimate include the fact that where there was a difference of opinion by various authorities as to the amount of a particular issue taken originally in the United States, the highest figure was chosen. This, doubtless, tended to exaggerate the total

amount of bonds held in the United States. As an offset to this, however, the following facts have to be taken into consideration. It is known that there were a number of issues, particularly municipal issues, payable in Canada and New York, concerning which information was not available regarding how much was taken in the United States. While these issues were treated as wholly Canadian-owned, there is no doubt that a portion of them is held in the United States. In the second place, it is known that some of the estimates of American holdings are too low, for example, the estimates of the amounts of War Loan and Victory Bonds taken by Americans at the time of the original issue are almost certainly too low, and, in addition, it is practically certain that Americans purchased considerable quantities of these bonds after the issue had been distributed. Again, no allowance has been made in the American holdings for the purchase of outstanding Canadian bonds from year to year, as, for example, in the case of the English sterling issues, and it is known, as stated above, that a portion of these were resold in the United States. It is believed that, on balance, over a long period, the Americans have been net purchasers of outstanding Canadian bonds rather than net sellers. There is no evidence to show that the net movement has been the other way, indeed with the exception of certain groups of bonds in recent years the evidence points in the direction of net purchases by the United States. The United States dollar has not been at a serious discount in relation to the Canadian dollar at any time during the period, but the Canadian dollar has been at a considerable discount on different occasions. Finally, evidence, secured after certain bonds have matured, of where the payments were made, tends to confirm the view. For example, a Dominion government issue, for which definite information was received when it was retired, indicated that more was held in the United States than was originally distributed there.

Geographical distribution of ownership of the bonds and stocks of industries, ascertained by the methods described in the foregoing, can of course be applied to the "capital employed" figures of the Census of Industry. Data for each firm are available as regards both capitalization and capital employed, and it is only necessary to apply the percentage figures for geographical distribution of ownership of the capitalization to the capital employed figures. Bond and preference stock values at par are first deducted from capital employed and distributed in accordance with records of their geographical distribution of ownership. The balance of capital employed is then divided according to the geographical distribution of ownership of the common stock.

As stated previously, an estimate of outside capital investment in Canada was also made by the method of "book value." These estimates for the year 1936 are shown below together with those obtained by the "capital employed" method. It will be seen that the two sets of figures, considering the difficulty of such estimates, are in fairly close agreement.

II. BRITISH AND FOREIGN INVESTMENTS IN CANADIAN INDUSTRIES, 1936

(In millions of dollars)

Kind of Business	U.S.A.		British		Other Countries		Total	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Manufacturing.....	1,002	995	377	227	14	11	1,393	1,233
Mining.....	244	255	89	57	7	4	340	316
Utility.....	1,126	1,066	1,253	1,403	28	53	2,407	2,522
Merchandising.....	147	110	74	54	4	2	225	166
Financial.....	219	214	248	218	38	33	505	465
Miscellaneous.....	85	85	160	160	30	30	275	275
Total.....	2,823	2,725	2,201	2,119	121	133	5,145	4,977

(1) Estimate by Capital Employed method.

(2) Estimate by Book Value method.

Classification of Investments

Constituents of the various classifications into which the investments of British and foreign capital in Canada have been divided in Table 1 (see pages 174 to 177) are shown in the following descriptions:

Government Securities.—There are included in this group all government securities whether Dominion, Provincial, or Municipal. Treasury bills, notes, etc., are included in this item when these have been sold outside of Canada, as well as bonds and debentures. Securities guaranteed by governments are also included with the exception of steam railway securities. This latter group of guarantees is included in the railways classification. The valuations of all government securities are on the basis of par value. Geographical distribution of ownership shown is the original distribution when the bonds were first sold except in the case of the British ownership of these securities. As has already been explained, the amount of Canadian bonds originally sold in the British market has been reduced to allow for the reduction in British holdings due to Canadian repurchases of parts of these issues.

Public Utilities.—These have been subdivided into (1) Steam railways and (2) All other utilities.

Steam Railways.—The estimate of the investment in steam railways is made upon the basis of the securities of these companies. Par value is taken for the bonds and debentures of the Canadian National Railway, the Canadian Pacific Railway and miscellaneous railways in Canada. Guaranteed bonds as well as unguaranteed bonds are included. To this investment in the funded debt of the railways, there are added the common and preference stocks of the Canadian Pacific Railway at their par value and the stocks of miscellaneous railways where they have any value. The securities of Canadian railways located in the United States are omitted.

Statement III shows these investments at the end of 1936.

III. BRITISH AND FOREIGN INVESTMENTS IN CANADIAN RAILWAYS, 1936
(In millions of dollars)

Description	Total ¹	Canada ¹	United Kingdom	United States	Other Countries
<i>Distribution of Bonds and Debentures as Originally Sold</i>					
Canadian National Bonds and Debentures—Guaranteed.....	1,011.4	378.4	406.1	226.9	.....
Canadian National Bonds and Debentures—Not Guaranteed.....	147.6	19.9	107.0	20.7	.....
Canadian Pacific Bonds and Debentures.....	553.3	124.0	287.8	141.5	.....
Miscellaneous Bonds and Debentures.....	123.2	49.8	40.2	38.2	.....
Total Bonds and Debentures—Original Distribution	1,840.5	572.1	841.1	427.3	.....
Estimated Canadian repurchases of above from United Kingdom.....	.....	+100.6	—100.6	.....	.....
Estimated distribution of ownership—December 31, 1936.....	1,840.5	672.7	740.5	427.3	.....
<i>Common and Preference Stocks, December 31, 1936</i>					
Canadian Pacific Railway—Common (Par Value).....	335.0	54.0	175.5	82.9	22.6
Canadian Pacific Railway—Preference (Par Value).....	137.3	0.4	133.3	0.8	2.8
Miscellaneous Stocks.....	47.8	.....	12.8	35.0	.....
Total Stocks.....	520.1	54.4	321.6	118.7	25.4
GRAND TOTAL.....	2,360.6	727.1	1,062.1	546.0	25.4

¹Excludes some issues entirely owned in Canada.

All Other Public Utilities.—These include traction companies, light, heat and power companies (electric, natural and artificial gas), telephone companies, steamship companies, etc. The basic data used in this estimate are the capital employed figures of the annual industrial census with certain additions. To the capital invested in central electric stations 10 per cent is added to include other systems. A round figure is also added to cover miscellaneous utilities such as radio transmission stations, motor coach companies, etc.

Wood and Paper Products (including logging and timber limits).—Census of Industry figures for capital employed are used as a basis for this estimate, but additions are made for investments in logging equipment and timber limits. The pulp and paper and lumber industries are important parts of this group.

Mining, Clay Products and Other Structural Materials.—Census of Industry figures are used as the basis for this estimate. Since 1935, the value of ore deposits has been excluded from the figures. The group includes all metallic mineral industries, companies engaged in smelting and refining, the non-metallic groups such as coal, asbestos, salt, etc., and clay products and other structural materials. Natural gas has been deducted from this group and is included with the other public utilities.

Metal Industries and Non-Metallic Mineral Products.—Here again the annual figures of the Census of Industry on capital employed provide a basis. The groups included are: Iron and its Products, Non-ferrous Metal Products and Non-metallic Mineral Products. Certain kinds of industry which are among these groups have been already included in the Mining, Clay Products and Other Structural Materials classification and, consequently, must be taken out of the Non-ferrous Metal Products and Non-metallic Mineral Products groups. The industries deducted to avoid this duplication are Non-ferrous Metal Smelting and Refining, Salt, Clay Products, and Cement and Lime. Capital employed in the manufacture of artificial gas which is in the Public Utilities classification has also been deducted.

All Other Industries.—The Census of Industry data form the basis of the valuation of investments in these industries. Industries included fall into the following groups: Vegetable Products, Animal Products, Textiles and Textile Products, Chemicals and Allied Products, and Miscellaneous Industries.

Merchandising and Services.—This estimate was based on the Census of Merchandising and Service Establishments taken in 1931, covering the year 1930, which contained a question on capital employed. Estimates were carried back to 1926 and on from 1930 on the basis of more or less inadequate supplementary information which was available. The annual Census of Merchandising does not include a question on capital employed, but some of the data which it does furnish throw some indirect light on the question of capital investment.

Insurance.—Investments of British and foreign insurance companies in Canada are taken to be the surplus of assets over liabilities in Canada. The capital stock and reserve of these companies are not included among the liabilities in Canada. Details of assets and liabilities are published in the annual reports of the Dominion Superintendent of Insurance. Similar data concerning companies operating under provincial licences only are more difficult to ascertain. However, companies under provincial jurisdiction control only from 5 to 10 per cent of the total fire business and between 2 and 3 per cent of the total life business. Since foreign interest in this business is small, the omission of provincial companies is of little moment. Information is available on the geographical distribution of the ownership of the capital stock of Canadian companies. The equity of the non-resident shareholders in Canadian insurance companies has been calculated and included as an additional British and foreign investment in Canada. A more complete discussion of these investments will be found in the chapter on Insurance Transactions.

Finance, Land and Mortgage Corporations.—This group includes banks, trust and loan companies, mortgage corporations, investment trusts and real estate companies. Capital investment in banks is taken to be the liabilities to shareholders indicated in paid-up capital plus reserve funds. For trust, loan and mortgage companies paid-up capital plus reserves and surplus is taken and in addition, outstanding debentures and guaranteed investment certificates are included. For investment trusts, capital stock and bonds or debentures; for real estate companies, capital stock and bonds have been taken. In this latter class capital stock is frequently nominal and the real financing is done by means of bonds.

Investments of private investment companies located in Canada which are beneficially owned by non-residents of Canada have not been included in this group. These are included in the miscellaneous item next described.

Miscellaneous Groups.—The estimate used to cover this group is only an approximation. Various types of investment are included. It is a well-known fact that many citizens of the United States have summer homes in Canada. Many more have fish and game clubs in various sections of the Dominion. Agricultural lands are sometimes owned by people in other countries and are rented or leased to residents of Canada or may be worked by a staff or agent. Likewise there are urban real estate properties owned by non-residents. Mortgages on properties in Canada are also sometimes held by mortgagees in other countries. Then there are considerable sums of money invested in Canada in prospecting for mines or carrying on development work. When such investments come to fruition, they are included in the mining group, but an attempt is made here to account for the investment in such undertakings before the stage of discovery or production.

A very important item, particularly in the case of the British investment in this group, is the value of the assets in Canada administered for persons or corporations residing outside of Canada. Some of these are held by private investment companies or holding companies incorporated in Canada, but owned by non-residents of this country. Stocks of Canadian companies which are held by such investment companies will appear in the stock registers of the former as held in Canada, although they will actually be owned beneficially by investors residing outside of Canada. Similarly investments in Canadian bonds held by investment companies when bought in Canada will not be included among the general estimates of British and foreign investments in Canada unless specially considered here. Consequently, it is necessary to account for this type of non-resident investment in Canadian securities.

Canadian trust companies also administer investments in Canada for residents of other countries. Some of these investments are held by investment companies in the manner described above. In such cases the Canadian trust companies act as administrators or agents for the owners of the investment companies. But there are other assets in Canada held by the trust companies and administered by them as agents, executors, trustees, etc., for residents of other countries. Included among the residents of other countries are former residents of Canada who have changed their place of residence to a country outside of Canada.

A considerable amount of information has been obtained by the Bureau from the trust companies in Canada and from other sources on the extent of the assets in Canada administered for non-residents. The total value of these is quite large, especially the value of assets administered for residents of the United Kingdom. This field has not yet been fully covered.

CHAPTER IV

British and Foreign Capital in Canada—Direct Investments

The term "direct investments" denotes that class of international industrial investment which is commonly described as a "branch plant." Theoretically foreign investments can be divided into two classes depending upon whether control is concentrated in Canada or in another country. Where control remains in Canada the external investment is customarily termed a "portfolio investment" but if control resides in another country it becomes a "direct investment." Direct investments represent an international migration of business enterprise and industrial capital and technique which is one of the characteristics of the economic organization of the twentieth century and of the latter years of the nineteenth century. To a large extent this has been characteristically an expansion of United States industry beyond the boundaries of the United States, and the importance of United States direct investments in Canada relative to those from Great Britain and other countries is an illustration of the general extension of United States industry to other countries. Growth of direct investments has been related to the growth of industrialism throughout the world, and there are few countries where there are not important industries from other countries. Thus, there have been factors causing this movement of industries which are not peculiar to Canada or its geographical location but which are inherent in the tariff structure of the world and in other elements in the background of international trade.

Growth of direct investments in Canada has accompanied the industrial development of Canada, and, indeed, has accelerated that development. The introduction of advanced techniques from older industrial countries has made possible more rapid development than would have been possible otherwise and has hastened the achievement of maturity. As a consequence, Canada's exports of secondary products and minerals to overseas countries have grown rapidly and broadened the relations of Canada with other nations.

By adding to the efficiency and variety of Canadian industry, direct investments have contributed to the greater diversification of production in Canada. In this way the framework of the Canadian economy has been strengthened by making the country less dependent upon the vicissitudes of a few primary industries. Employment of a more stable character has been provided and there has been a greater distribution of the "overhead costs" of the country, such as those incurred through the provision of transportation facilities.

Although the total value of direct investments in Canada owned in other countries, \$2,280 million, may be an impressive total, the significance of direct investments in their relation to Canadian-owned industries is best understood when their value is compared with the total amount of capital invested in Canada. It is estimated that the sum of all "business" capital in Canada is about \$18,000,000,000. This amount includes the bonded indebtedness of governments and municipalities in Canada, investments in railways, all manufacturing concerns, mines and metal industries, public utilities, trading establishments, finance, etc., but does not include private capital in farms, domestic real estate, etc. Of this sum, it is estimated that about \$11,000,000,000 or 62 per cent is owned in Canada and 38 per cent is owned abroad, allowing for all classes of British and foreign investments in Canada as well as the investments that may be considered "direct."

There are marked variations in the relative importance of direct investments in the different groups of Canadian industry. In some industries, notably the automobile industry, and the industries producing rubber products and electrical apparatus, the proportion of total production which comes from plants owned outside of Canada is quite high. It is notable that these are mass-production industries which have attained a high degree of efficiency in the United States. On the other hand, many important Canadian industries are predominantly owned in Canada, the percentage of production in foreign-owned plants being very small. Examples are provided by the textiles and primary steel industries. Although there are some important plants in the pulp and paper and hydro-electric power industries which are controlled outside of Canada, the major portion of these characteristically Canadian industries is controlled in Canada. Agriculture provides a conspicuous instance of Canadian ownership.

It must also be recognized that the foreign control which is suggested by foreign ownership is, in many instances, only potential. The degree to which this potential control is exercised varies considerably and the large total value of foreign direct investments in Canada is apt to be misleading unless this is understood. The total investment includes the capital invested in a great many enterprises, many of which are small and uninfluential in their respective industries and trades.

In short, the large foreign direct investment in Canada does not point to the domination of Canadian business by non-residents. Owing to the dispersion of these investments over a wide field of industries, there are only a few industrial groups in which the foreign enterprises predominate. Even in these groups the total foreign direct investments are usually made up of a number of competing enterprises. The importance of direct investments in the Canadian economy lies rather in the effects they have had upon the rapid industrial development of Canada, the advanced industrial techniques they have introduced into the country, the stimulation they have provided to the growth of Canada's exports of secondary products to overseas countries, and their effects upon the Canadian balance of international payments. Direct investments in Canada are a product of modern international commercial relations rather than the economic penetration of Canada because of its geographical location.

It has been stated above that direct investments connote external control of an industry. Where external control is lacking the investment is termed a portfolio investment. The distinction usually depends upon the intention of the investor at the time he makes his investment in Canada. If he wishes to place money in a Canadian corporation and is satisfied with the existing management, he buys securities issued by the corporation and includes them in the portfolio of his investments. If his intention is to start a new enterprise or to take over control of an existing one, his investment in Canada is a direct investment. Obviously it is impractical to attempt to classify investments according to the intention of the investor. All that can be done is to infer intentions from a limited field of actions. This can be carried out with a high degree of accuracy in many instances, but there are cases where the results are somewhat uncertain. Over 99 per cent of the stock of the B. F. Goodrich Rubber Company of Canada Limited is owned by B. F. Goodrich Company of Akron, Ohio.¹ More than 69 per cent of the common stock of Aluminium Limited is held by a small group of shareholders in the United States.² There is no difficulty in classifying these cases as direct investments.

¹ Standard Corporation Records, July 20, 1938, page 7474.

² National Recovery Administration, "Report on the Aluminum Industry" (Washington, 1935); and "The Aluminum Company of America", *Fortune*, September, 1934, pages 46-52, 100-111.

We can assume that the intention of the majority interests in both companies was to put money into a Canadian company to be controlled by them. The shareholders of Aluminium Limited are individuals and the only effective shareholder of the B. F. Goodrich Rubber Company of Canada Limited is a corporation, but the principle is the same whether applied to individuals or corporations. If enough of the ownership of the capital invested in a Canadian corporation is concentrated in another country to establish control of the corporation in that country, the corporation can be referred to as a direct investment of that country in Canada.

Suppose that instead of 69 per cent or more of Aluminium common only 25 per cent was owned in the United States. If this amount of stock were in the hands of an organized group of shareholders and if the remaining 75 per cent were scattered in small holdings, it would still be possible for the organized minority to control the direction of the company. Such a situation, however, is not a common occurrence, and where it does occur there is no guarantee that it will continue. All that can be said with certainty is that, as the proportion of a company's securities held in another country increases, the probability of the company being controlled in that country also increases. The situation is simplified where there is a parent company outside of Canada. In such cases the interest of the parent, whether majority or minority, is obviously concentrated in one place and is capable of effective application. In 1934 American Telephone and Telegraph Company held about a quarter of the shares of the Bell Telephone Company of Canada, while almost two-thirds were held in Canada.³ Having no information to the contrary, we must assume that the majority of Canadian interest was scattered among small shareholders and that the minority investment of the American company was sufficient to class the Canadian company among United States direct investments in Canada. This type of connection is often referred to as "affiliation" rather than as "control," but "affiliation" is a vague term and suggests types of connection such as manufacturing rights or agreements which in themselves are insufficient to establish direct investment.

When applying the theory of effective control outlined above to an organization having no parent company outside of Canada, the problem becomes more difficult. As a working principle the Bureau of Statistics requires concentration in one external country of 50 per cent or more of the total investment in a corporation having no parent company outside of Canada before that corporation is classed as a direct investment. Minimum concentration of 50 per cent or more of the total investment in one country is not assumed to establish control in itself. It is accepted as evidence of the probable intention of the investors. When this principle is applied to large companies, it is considered in conjunction with all other available data which might throw light on the subject. Fifty-five per cent of the common stock of Canadian Pacific Railway Company and ninety-five per cent of the preferred were owned in the British Empire outside of Canada at the end of 1937.⁴ More of the company's bonds were owned in Great Britain than in any other one country. Assuming that the stock interest in the British Empire outside of Great Britain and Canada was negligible, the majority of the total investment was clearly in Great Britain at the end of 1937. However, only two directors out of a total of eighteen were domiciled in

	Ownership	Per cent of Stock
^a Canada		66.5
United States—		
American Telephone and Telegraph Co.		24.2
Other		4.4
Other foreign		4.9

—*The Toronto Globe*, November 16, 1934.

⁴ Annual Report of Canadian Pacific Railway Company for the year ended December 31, 1937, p. 19.

England, and it is well known that the management has been in Canada since the formation of the company. It must be inferred from the above that the majority British interest is distributed among private investors who have no immediate intention of controlling the policy of the company.

The last-mentioned feature of direct investments has been responsible for much of the lack of uniformity in treatment of the subject. The Bureau of Foreign and Domestic Commerce of the United States Department of Commerce has made several investigations into the subject of direct investments by the United States. It includes a number of instances in its classification of direct investments in foreign companies where less than 50 per cent of total investment is owned in the United States. In its 1936 report on American direct investments in foreign countries, the Bureau of Foreign and Domestic Commerce defines American direct investments abroad as follows: "All American investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice."⁵ Regarding quantitative measurement of control as a factor in the definition of American direct investments abroad, the Bureau of Foreign and Domestic Commerce states: "In no case has an investment holding of less than 10 per cent (of common stock) been included in this category, and interests of less than 20 per cent are few in number and small in value relative to the total of direct investments."⁵ The application of this principle to direct investments in Canada would result in larger totals than those obtained by the method described in this report.

Differences of opinion exist not only as to the amount of external investment that is normally required to establish control, but as to the type of security in which such external investment must be made. It is usual for corporate directors to be elected by the holders of common stock. Hence common stock can be looked upon as the "controlling" security. However, many issues of preferred stock have participating features which give to their holders a share in the management in the event of non-payment of dividends for a specified length of time. Bondholders are usually looked upon as creditors of a corporation rather than as owners, but they have a potential source of control which materializes under circumstances defined in the bond—generally upon default in payment of interest. For these reasons the Dominion Bureau of Statistics has based its classification on total investment rather than on stock alone or on common stock alone. In practice there are few cases which hinge exclusively on this question, because when Canadian companies are controlled out of Canada, the tendency has been (at least, until fairly recently) for bond issues to be floated in the same country in which stock control is held. It is estimated that classification according to stock alone would result in a total British and foreign direct investment in Canada within one per cent of the amount shown in the tables.

Unincorporated Branches

There remains one other type of direct investment, viz., the unincorporated branch plant. The Quaker Oats Company of Chicago and H. J. Heinz Company of Pittsburgh both have direct investments in Canada. Their Canadian operations differ from those which have been described above in that they operate Canadian branches which are controlled directly from their United States head offices without the intervention of Canadian subsidiary companies. This type

⁵American Direct Investments in Foreign Countries—1936. U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce. Pages 2 and 3.

of investment is becoming less common than it was formerly, and at least one large United States company which used to operate an unincorporated branch has now incorporated a Canadian subsidiary.⁶

The term "branch plant", which, in a restricted field, is sometimes used in the same sense as direct investment, no doubt originated from unincorporated factory branches of external manufacturing companies. Early investigations into the subject of direct investments were mainly concerned with manufacturing firms. When the field was extended to companies engaged in merchandising, financial and other operations, an expression of more general application was found necessary and "direct investment" was substituted for "branch plant."

Some of the advantages of Canadian incorporation are pointed out in the following extract:—

"Incorporation under Dominion law entitles a foreign corporation to operate anywhere in Canada. . . . Subsidiaries have to submit their own statements to the authorities, while a branch must submit statements for the parent company as well, and . . . in some provinces taxation is based on total authorized capital which, in the case of a branch, is the capital of the parent company."⁷

As to unincorporated branches, some United States companies prefer to operate their Canadian plant on exactly the same basis as their branches in the United States. The Yale and Towne Manufacturing Company, of Stamford, Connecticut, actually dissolved its Canadian limited liability company in 1923 and since then has operated its Canadian plant as "The Yale and Towne Manufacturing Company, Canadian Branch."⁸

It should be noted that British and foreign investments in residential properties, agricultural lands and other classes of real estate have not been included in this study of direct investments except when held through some corporate organization. Investments such as these made by individuals are not quite comparable with the commercial, industrial and financial investments making up the direct investments shown in this report.

Definition of Direct Investments in Canada

The definition of the companies, data respecting which are included in the tables on direct investments in Canada, is as follows: "Companies carrying on some or all of their operations in Canada, which are branches of or controlled by companies incorporated out of Canada, or are controlled by individuals domiciled out of Canada." A footnote to these tables states that "subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition." To illustrate: before its reorganization in 1938, all common stock of Gatineau Power Company was owned by Canadian Hydro-Electric Corporation Limited, a company with Dominion charter having its head office in Montreal. Hence all common stock of Gatineau Power Company at the end of 1937 was owned in Canada. At that time, however, Canadian Hydro-Electric Corporation Limited was controlled by International Hydro-Electric System, a Massachusetts corporation,

⁶ American Cyanamid Company, of New York, operated its plant at Niagara Falls, Ontario, without Canadian incorporation from 1907 until 1935 or 1936, when it transferred all its Canadian operations to its Canadian subsidiaries, North American Cyanamid Limited and Dillons-Klipstein, Limited.

⁷ American Direct Investments in Foreign Countries, United States Trade Information Bulletin No. 731, pages 31-32.

⁸ Marshall, Southard and Taylor, "Canadian-American Industry," page 223, Yale University Press, New Haven, 1936.

which in turn was controlled by International Paper and Power Company of Boston. The effect of the above-mentioned footnote is to bring into the tables the indirect United States investment in Gatineau Power Company which otherwise would have been omitted, as that company does not come within the above definition of direct investment. The prevalent use of holding companies has rendered situations such as this fairly common in recent years.

Data in Table 2 have been classified according to the countries of origin of the external investments. As a matter of convenience such countries have been classified as follows: 1, the United States; 2, Great Britain; 3, all other countries (including those parts of the British Empire other than Great Britain and Canada). The third classification, "all other countries", is considerably smaller than the other two, both in number of companies and in volume of investment, and cannot very well be sub-divided due to statistical limitations. In volume of investment France ranks next after the United States and Great Britain, while Switzerland, Holland, Germany, Sweden, Turkey, Norway, and Japan are among the other countries represented, in addition to Newfoundland, Australia and other parts of the British Empire.

Sources of Information

1. STOCKS

Some idea has been given in the preceding pages of what companies are included in the field of direct investments in Canada. Before a company can be classed as a direct investment certain facts must be known regarding its financial structure. A brief summary is now given of the methods by which the necessary data are obtained. Geographical distribution of ownership of shares is published by some of the larger Canadian companies. When all shares are in the hands of one shareholder, i.e., are held by a parent company, the information is commonly given in financial publications, provided there is sufficient public interest in the parent company to warrant mention in such publications. However, in the usual case where shares are scattered, the information can be obtained only from the company itself. Every Canadian company is obliged to maintain a shareholders' register in which appear the names and addresses of all shareholders together with the number of shares owned by each. During the past nine years, between fifteen and twenty thousand Canadian companies have furnished data concerning the geographical distribution of ownership of their outstanding shares. Of this number more than 2,400 represent direct investments in existence at the end of 1937. This should not be interpreted to mean that more than 16 per cent of all companies in Canada are British or foreign direct investments. The total number of companies carrying on business in Canada is much larger than twenty thousand. Selective treatment was applied to lists of companies before questionnaires were sent out. Companies which appeared unlikely to contain external investment were omitted. The name of the company frequently gives an indication of external investment, and in other cases the fact that some of the directors are domiciled outside of Canada is evidence pointing in the same direction. Provincial gazettes publish names of companies to which extra-provincial licenses have been granted. Municipal boards of trade, industrial associations and other organizations have prepared lists of companies having affiliations of one kind or another with parent or other companies outside of Canada. Questionnaires have been sent to companies on lists of this nature. For these and other reasons it has been possible to avoid sending questionnaires to many thousands of purely Canadian companies containing little or no external capital. These records were begun in the year 1931 when all corporations reporting to the Industrial Census and the Merchandising Census of the Dominion Bureau of Statistics were requested to furnish data

on ownership of their capital stock. Since that time the information has been brought up to date at regular intervals and the investigation has been extended to embrace corporations in all fields of business.

Data on ownership of stock used in preparation of the tables were obtained by questionnaires sent out during the five years 1934-1938 inclusive. It is the practice of the Bureau to maintain a permanent record of the ownership of stock in companies containing external capital and it has been found that, with a few exceptions, significant changes of ownership from one country to another in the stock of externally-controlled companies do not occur frequently. The stock of companies in which there is active market interest sometimes shows significant international movements. Such companies are given exceptional treatment. In most cases it has been found unnecessary to ask companies for information regarding ownership more often than once in four or five years.

Minor errors in the tables are occasioned by the existence of nominee shareholders. In some cases there is a difference between the registered shareholder and the beneficial owner. Market activity is an important factor in this question. A street certificate registered in the name of a Canadian broker may be held by the broker for a Canadian or for a national of another country. Little is known of the extent of nominee ownership of the shares of Canadian companies, but it is not likely to affect materially the data in the tables, as direct investments from countries outside of Canada are not likely to be a field in which there is much nominee ownership. It is a phenomenon more closely associated with portfolio investments than with direct investments.

2. BONDS

Since many bonds are unregistered, it is not possible to obtain the same degree of accuracy in measuring their geographical distribution as in the case of stocks. Nevertheless, very good results have been obtained for corporation issues. Information as to registered issues is readily available in the books of corporations. Many corporations are also able to furnish data concerning unregistered issues. Where even approximate information cannot be supplied by the debtor firm, estimates have been based on the original distribution at the time of issue. For changes in ownership during subsequent years, as explained elsewhere, definite information is not obtainable, but more accurate information has been collected in recent years.

The total amount of corporation funded debt included in the tables is approximately \$486 million. This total includes bonds, debentures, debenture stock and other forms of long-term funded debt. Data regarding distribution of 79 per cent of this amount were obtained by questionnaire from the issuing companies, data for 17 per cent of the total were obtained partly from the companies and partly from other sources, and data for the balance, or 4 per cent, were obtained entirely from other sources. These figures show that errors in distribution of funded debt arising out of estimates based on original flotation are not likely to affect seriously the data in the tables.

Number of Companies

Reference has been made in various publications to the number of branch plants or branch factories which British and foreign capital has established in Canada within stated periods. Such reports are seldom explicit in defining the unit which has been used in their compilation. At the end of 1937, General Electric Company of Schenectady controlled five branch factories in Toronto, one in Peterborough, and one in Lachine, all being operated by the Canadian subsidiary, Canadian General Electric Company Limited. At that time, Borden Company of New York, through its Canadian subsidiary, the Borden Company Limited, held a controlling interest in City Dairy Company

Limited of Toronto, Ottawa Dairy Limited of Ottawa, and nine other corporations engaged in the Canadian milk and milk products business. These operations might be described as seven branch plants for General Electric Company and twelve for Borden Company. From the United States point of view they might be considered as two Canadian investments, one by General Electric Company and one by Borden Company. The policy of the Dominion Bureau of Statistics has been to adopt the corporation as the unit, irrespective of the number of factories or plants in which its operations are carried on. According to this method, the examples given above would total thirteen units. Subsidiaries of Canadian companies are included in compilations showing number of companies, irrespective of whether they are wholly owned or partly owned by their parent companies.

Typically, direct investments in Canada carry on operations in one municipality, and usually at one location within the municipality. The widest disparity from the typical case arises in the retail merchandising chains. Great Atlantic and Pacific Tea Company Limited operated more than 200 Canadian retail outlets in 1937. Imperial Oil Limited, although primarily a manufacturing company, had approximately 1,600 distributing stations and 670 gasoline service stations scattered throughout Canada in 1937.

The number of companies appearing in the tables is slightly smaller than the total number of direct investments which were on record at the end of the year 1937—the reason being that the records always contain some companies for which investment data are incomplete or cannot be obtained.

Classification by Type of Business

Classification according to type of business is shown in the tables according to the following divisions: manufacturing, mining, utility, merchandising, financial, and a residue which has been termed "miscellaneous." Companies carrying on more than one kind of business create a problem which has necessitated somewhat arbitrary treatment. Some direct investments whose chief activity is manufacturing also transact a retail merchandising business. As investment values and geographical distribution of ownership of a company incorporated in Canada are calculated from data regarding securities issued by the company, it would not be practical to attempt to break down the total investment according to different activities carried on by the company. The total assets of Canadian Westinghouse Company Limited shown in its annual statement as of December 31, 1937, amounted to seventeen million dollars. We know that this company carries on a manufacturing and a merchandising business, but we are not in a position to say that a certain proportion of its assets represents an investment in manufacturing and the balance represents an investment in merchandising. The only practical way to deal with such companies is to classify the whole investment according to the chief activity carried on by the company. For this reason the classification "merchandising" appearing in the tables should be considered in relation to companies whose chief function is merchandising. The tables do not indicate the amount of external capital behind Canadian merchandising in general. Although the above question is of some significance in the manufacturing and merchandising fields, it is negligible in the other kind-of-business classifications shown in the tables.

Methods of Evaluating Direct Investments

1. COMPANIES INCORPORATED IN CANADA

Reference was made above to the methods by which geographical distribution of ownership of corporate stock and bonds was obtained. Corporate stock and bonds are the evidence of ownership or proprietary interest in a corporation.

Hence, if satisfactory valuations can be obtained for these securities, it becomes a simple matter of calculation to find the investment of an external country in a Canadian corporation.

Generally bonds or other evidences of funded debt are repayable at par on maturity. Hence, for this purpose, par is a fair value to attribute to bonds. Most issues of preferred stock have a fixed claim upon the capital and earnings of the issuing corporation. So long as the preferred dividends do not fall in arrears, the average preferred shareholder has no immediate concern in the amount of profit earned by his company. There is unlimited variety in the special provisions that have been applied to preferred shares, but the protection which is afforded to most issues has the effect of restricting fluctuations in value and renders par or stated value a satisfactory basis for the purpose under consideration.

Common stock represents the residuary interest of the shareholders after any prior claims represented by preferred stock or funded debt have been satisfied. Various investigators have used different methods of evaluating this residuary interest. Par value, market value, and capitalized earnings have all been used. The measure of value for common stock adopted in this study⁹ is the equity of the common shareholder represented by the value at which the shares are carried in the company's annual report plus accumulated surplus or minus accumulated deficit.¹⁰ Even this method is not ideal. Lack of uniformity in accounting practice results in different ways in which assets are valued and balance sheets are drawn up. When applied to a company in receivership, it may produce results more in accordance with the operations of the company before the receiver was appointed than with current operations. Although not perfect, this method probably produces a truer picture of values of investment in common stock than any of the three alternatives mentioned above. It has been adopted for recent investigations into direct investments by the Bureau of Statistics and by the United States Department of Commerce.

Financial publications publish balance sheets of all the larger Canadian companies in which there is public interest. Direct investments, however, constitute a class of company in which there is less than average interest from a financial point of view. Considerably more than half of the Canadian companies that are controlled directly in the United States are owned in the United States to the extent of 99 per cent or more. Financial publications cater to the investing public and seldom publish balance sheets of companies in which there is little market interest. As a means of obtaining security valuation data from such companies, the Dominion Bureau of Statistics sends an annual schedule requesting the company to extract the necessary information from its balance sheet.

Adjustments Due to Operations Outside of Canada

An anomalous situation arises in a few cases where a British or foreign direct investment in Canada finds it advantageous to carry on operations outside of Canada, or where foreign subsidiaries are held for the parent company through the intermediary of the direct investment in Canada. Lack of requisite raw material in Canada has caused several Canadian

⁹ The "capital employed" method of estimating the value of *direct* investments presents peculiar difficulties because the Industrial Census records relate to individual factories. See, however, pages 20-24 describing the close results obtained for total investments by the two methods.

¹⁰ In the case of companies having common and preferred stock outstanding, accumulated deficits are applied first against the common; any deficit remaining thereafter being applied against the preferred.

companies controlled by United States capital to make substantial investments in countries other than Canada and the United States. In most cases the external operations are conducted by companies subsidiary to the Canadian company, incorporated either in Canada or in the country in which operations are carried on. Imperial Oil Limited owns all the preferred (voting) stock and sixty per cent of the common of International Petroleum Company Limited, a company with Dominion charter which carries on all its operations in South America.¹¹ Aluminium Limited, either directly or indirectly, mines bauxite in British Guiana; operates a smelter and fabricating plant in Italy; has a substantial interest in two smelting plants in Norway; and owns companies in seven other European countries and the Far East.¹² The International Nickel Company of Canada Limited has an interest of over 99 per cent in the Mond Nickel Company Limited, which operates a nickel refinery at Clydach, Wales, with annual capacity of 21,000 tons of refined metal.¹³ Wholly-owned subsidiaries of Ford Motor Company of Canada Limited operate assembly plants at Port Elizabeth, South Africa; Geelong, Australia; Bombay, India; Singapore. Straits Settlements; and Wellington, New Zealand.¹⁴

Operations outside of Canada are carried on by eight companies which come within the definition of British or foreign direct investments in Canada. These companies have total investments abroad of \$164 million, of which over 99 per cent is due to operations of the four companies mentioned above. Before investment data for such companies were included in the tables, deductions had to be made on account of investments abroad. As mentioned above, the amount of capital in a Canadian company controlled abroad is obtained from the values at which the company's securities are carried on its own books. In the same manner, as will be seen in Chapter VII below, the amount of a Canadian direct investment abroad is usually obtained from the value at which the investment is carried on the books of the company outside of Canada. But investments outside of Canada are not always carried at the same valuation on the books of the Canadian company as on the books of the company abroad. Hence data in tables relating to Canadian direct investments abroad have not been used to adjust total investment data of companies operating in Canada and outside of Canada in order to arrive at net investment in Canada. For this purpose, the values of investments outside of Canada were obtained from the books of the Canadian company wherever possible, and were deducted from figures for total investments obtained from the same source. In a few instances where the value of investments outside of Canada was not shown in the books of the Canadian company, estimates from other sources were used.

2. UNINCORPORATED BRANCHES

Unincorporated Canadian branches of British or foreign companies were valued on the basis of net assets in Canada. Except in the case of insurance companies it was necessary to obtain this information directly from the companies by correspondence. For insurance companies the data are furnished in the annual report of the Superintendent of Insurance. In this report assets are limited to the assets of the Canadian branches doing business in Canada. If the home offices of the companies abroad hold other Canadian securities, these are more comparable to "portfolio" investments in Canada. It should be recognized that even the assets of the branches in Canada have a certain "portfolio" character as, for the most part, they take the form of bonds of Canadian governments and municipalities. However, the fact that these invest-

¹¹ Standard Corporation Records, September 20, 1938, p. 7075.

¹² Standard Corporation Records, May 17, 1938, p. 7805.

¹³ The Financial Post Survey of Corporate Securities, 1937, p. 259.

¹⁴ The Financial Post Survey of Corporate Securities, 1937, p. 131.

ments are closely related to the business of the Canadian branches of the companies gives them a place in this study of direct investments. The effects of direct investments upon the balance of payments are dealt with in the chapter on "Movements of Capital connected with International Direct Investments and Trust Companies."

Analysis of Tables—1937 Data

Sections C, B, and D of Table 2 show the investment from all sources in Canadian industry controlled in the United States, in Great Britain, and in other foreign countries respectively. It is to be noted that the term "direct investment" applies only to the value of the investments owned by security-holders located in the same area as the controlling interests. Thus in Section C, the amounts shown in the column headed "United States" represent direct investment, and those under the headings "Canada," "Great Britain" and "Other Countries" represent portfolio investments from these areas. Similar remarks, *mutatis mutandis*, apply to Sections B and D.

The total direct investment in Canadian industry from all external sources at December 31, 1937, was \$2,279.5 million, this investment establishing control over corporations and branches in Canada with a total valuation of approximately \$2,808.0 million. Of the direct investment no less than \$1,868.9 million or 82 per cent originated in the United States. This amount was five times as large as the \$367.2 million which represented British direct investment at the same date and which was 16.1 per cent of the total. All other countries abroad supplied only \$43.5 million or 1.9 per cent of the total.

Capital invested in manufacturing companies is the most important item in these figures, accounting for almost half of the total, with the utility group in second place. The actual percentage figures showing how the total external direct investment is distributed among different kinds of business are as follows:

	Per cent
Manufacturing.. . . .	48.1
Mining.. . . .	10.6
Utility.. . . .	18.1
Merchandising.. . . .	7.6
Financial.. . . .	13.7
Miscellaneous.. . . .	1.9

In each kind of business there is a preponderance of American over non-American direct investment, this preponderance being greatest in the utility group where 95.9 per cent of the external direct investment is of United States origin, against 3.7 per cent from Great Britain and 0.4 per cent from other countries. In the various types of business the geographical distribution of direct investment is as follows:

IV. DISTRIBUTION OF VALUE OF DIRECT INVESTMENTS

Type of Business	Percentage of Total External Direct Investment derived from		
	United States	Great Britain	Other Countries
Manufacturing.. . . .	86.3	13.3	0.4
Mining.. . . .	90.2	9.5	0.3
Utility.. . . .	95.9	3.7	0.4
Merchandising.. . . .	74.5	24.0	1.5
Financial.. . . .	44.9	44.4	10.7
Miscellaneous.. . . .	93.5	4.8	1.7

The above statement may be considered in conjunction with that which follows, showing how the externally-controlled companies in each type of Canadian industry are to be classified according to the number controlled in each area. The total number of these, as shown in Section A of Table 2, was 2,440 at the end of 1937, 1,952 of these (80 per cent) being American-controlled, 402 (16·5 per cent) being British-controlled and the remaining 86 (3·5 per cent) being controlled in other countries.

V. DISTRIBUTION OF NUMBER OF DIRECT INVESTMENTS

Type of Business	Number of Companies	Percentage of Total Number controlled in		
		United States	Great Britain	Other Countries
Manufacturing.....	1,130	88·1	10·7	1·2
Mining.....	135	81·5	13·3	5·2
Utility.....	111	92·8	4·5	2·7
Merchandising.....	515	72·6	22·7	4·7
Financial.....	417	60·9	31·7	7·4
Miscellaneous.....	132	87·9	6·8	5·3

There is, as is to be expected, a certain parallelism between these two statements. The number of companies controlled abroad elsewhere than in the United States or Great Britain forms a more imposing portion of the total in almost every case than does the corresponding direct investment, on account of the fact that these companies are in general smaller than similar enterprises controlled by British or American capital. A notable exception to this is found in the financial group where certain companies of large size have been developed for the purpose of investing continental European capital in Canadian mortgages. It will be observed that in the financial group British direct investment also is prominent, being almost equal in value to that from the United States, although the number of companies controlled in Britain is only one-third of the American-controlled number—a state of affairs reflecting the fact that the British-controlled companies in this field are, on the average, longer-established and larger in size than their American-controlled competitors. Similarly, the strength of such well-established firms of British origin as the Hudson's Bay Company is an important factor in the relative prominence of British direct investment in the merchandising section of the statements.

Degree of Control

We have referred above to the fact that an external direct investment of \$2,279·5 million establishes control over industry with a total valuation of \$2,808·0 million, the controlling interests thus representing 81·2 per cent of the whole. The minority interests are chiefly Canadian, being distributed among the different areas as follows: Canada 15·6 per cent, United States 0·6 per cent, Great Britain 2·2 per cent, other countries 0·4 per cent. These figures indicate that comparatively little external capital is invested in Canadian enterprises whose control is located in areas other than that in which the investor resides.

A footnote to the tables points out that, for the purposes of this survey, concentration in one external country of 50 per cent or more of the total investment in a Canadian company is accepted as *prima facie* evidence of control. The fact that controlling interests represent 81·2 per cent of the total investment would suggest that cases where control is entire, or nearly so, predominate over those in which it is established by ownership of a small majority of the issued securities. For further light on this subject, we may quote from a study made recently with regard to American-controlled companies chartered in Can-

ada, to determine what percentage of these were entirely (or practically so) owned in the United States. These companies were classified under three headings, as follows:

- (a) Companies whose stocks and bonds are owned in the United States to the extent of 99 per cent or over (52·8 per cent of the total number).
- (b) Companies whose stocks and bonds are owned in the United States to the extent of less than 99 per cent (35·4 per cent of the total number).
- (c) Wholly-owned subsidiaries of companies in (a) and (b) (11·8 per cent of the total number).

It will be seen that class (a) includes more than half of the total number of companies in all classes; if to these one adds the number of unincorporated Canadian branches of American companies and a certain number of wholly-owned subsidiaries in (c), one finds that over sixty per cent of American-controlled enterprises in Canada are owned practically in entirety in the United States.

The above study was not extended to companies controlled in Great Britain and elsewhere abroad, but the general deductions would apply to these groups almost equally well. Examination of the figures given in Table 2 reveals that while controlling interests in the American-controlled group represent 80·2 per cent of the total investment there, the comparative figure for the British-controlled group is 86·8 per cent, and for the group controlled in other countries 80·7 per cent. This would appear to indicate that among British-controlled companies entire ownership is somewhat more common than among companies controlled in the United States or elsewhere abroad.

Types of Organization

There are four ways in which externally-controlled Canadian enterprises may be organized in order to maintain connection with the controlling interests in another country.

- (a) The Canadian enterprise is a branch (not incorporated in Canada) of a British or foreign company. (Under this heading are also included such companies as the Hudson's Bay Company, which are incorporated abroad but which operate wholly or mainly in Canada.)
- (b) The Canadian enterprise is a partly- or wholly-owned subsidiary (with a Canadian charter) of a British or foreign company.
- (c) A majority of the issued securities of the Canadian company are held by private individuals or groups resident abroad, but there exists no corporate connection between the Canadian company and any British or foreign company.
- (d) The Canadian company is a subsidiary of a company of type (b) or type (c), and is then held to be under the same external control as its parent company.

Of the 2,440 externally-controlled units of Canadian industry existing as at December 31, 1937, 577 or 23·6 per cent are included under heading (a) above (enterprises not incorporated in Canada). While this type is of considerable importance numerically, these units are on the average less than half as large as those of the other three types, and represent about 10·9 per cent of the total investment or 13·4 per cent of the total direct investment. Companies under headings (b), (c), and (d) account for approximately 53 per cent, 12 per cent and 11 per cent of the total number respectively.

Forms of Investment

For the purposes of this report, investment figures have been classified under four headings—capital stock (common and preferred combined), funded debt, other long-term indebtedness, and net assets in Canada. The fourth item is

restricted to unincorporated branches of external companies, which have been already discussed in the above section "Types of Organization."

Figures for common and preferred stocks have been combined because in many cases the distinction between these is ill-defined. The term "funded debt" covers various liabilities described as bonds, debentures, debenture stock or otherwise, generally with fixed rates and dates of payment of interest and with fixed dates of maturity. Occasionally there exists a certain vagueness of description of a liability which makes its classification as "funded debt" a debatable point, but these cases are few and unimportant. It should be noted that in the case of subsidiaries of Canadian companies (which comprise about one-ninth of the total number of enterprises covered by this report) a deduction has been made from the value of their capital stock, and in some cases from the amount of their funded debt, on account of the holdings of a parent company whose securities are also tabulated. The possibility of duplication in these fields is thus eliminated.

The comparative importance of investments made in these four different forms is illustrated in the following statement, which shows the percentages of these items in the total direct investment in externally-controlled companies and in companies controlled in the United States, in Great Britain, and in other countries respectively.

VI. FORMS OF INVESTMENT

Location of Control	Percentages of Different Forms of Investment (Total Direct Investment = 100)			
	Capital Stock	Funded Debt	Other Long-term Indebted- ness	Net Assets
United States.....	67.1	16.0	7.9	9.0
Great Britain.....	49.4	13.8	3.0	33.8
Other Countries.....	39.5	22.9	8.3	29.3
Total External Control.....	63.7	15.8	7.1	13.4

It is noticeable from the above statement that practically one-third of the total direct investment from Great Britain and from "other countries" is in the form of net assets of branches not incorporated in Canada. Among the factors contributing to this result, not the least important is the existence of certain large companies which operate almost entirely in Canada in the merchandising and financial fields, and which were incorporated before the war in Britain or in another European country.

Comparison of 1937 and 1936 Data

In Table 2 figures for 1937 and for 1936 are given together for purposes of comparison. The 1936 figures here given have been based upon those published in "British and Foreign Direct Investments in Canada and Canadian Direct Investments Abroad—1936," with certain important changes due to revision since that publication was issued. The chief change is due to the addition of the item "other long-term indebtedness." When the 1936 report was drawn up, data regarding this item were very incomplete; but during the past year all firms under external control have been requested to give information on this point, and in this way not only have very full data been obtained for 1937, but it has been possible to revise the 1936 figures to include an estimated total for "other long-term indebtedness." Some other necessary alterations have been made to the 1936 figures in the light of new information obtained with regard to certain companies—e.g., more up-to-date information has been secured with regard to distribution of ownership, some companies have been deleted from the records and others added (these changes properly dating from 1936 or earlier), and in some cases the reception of a delayed report has made it possible to substitute accurate figures for estimates.

CHAPTER V

British and Foreign Capital in Canada—Portfolio Investments

It has been seen that direct investments in Canada are a large proportion of total outside investment and that there is a great diversity as to type. Portfolio investments are likewise much varied and almost as important as direct investments in amount. An estimation of the total amount of portfolio investment is beset by peculiar difficulties as will be shown below. The largest section consists of government bonds, British and foreign investment in which was nearly \$1,700 million at the end of 1936. Railway bonds and debentures totalled nearly \$1,200 million.

VII. ESTIMATED FUNDED DEBT IN CANADA, 1936
(In millions of dollars)

Description	Total	Distribution of Ownership			
		Canada	Great Britain	United States	Other* Countries
Dominion, Direct.....	3,381.9	2,594.2	318.8	468.9	.....
Dominion, Guaranteed (Exclusive of Railways).....	31.0	12.4	.....	18.6	.....
Railways, Guaranteed and Unguaranteed**.....	1,840.5	672.7	740.5	427.3	.....
Provinces, Direct.....	1,698.4	1,195.9	65.4	433.9	3.2
Provinces, Guaranteed (Exclusive of Railways).....	147.6	131.4	2.4	13.8	.....
Municipalities.....	1,466.4	1,102.7	137.6	226.1	.....
Corporations**.....	1,597.3	980.0	134.5	468.8	14.0
Total.....	10,163.1	6,689.3	1,399.2	2,057.4	17.2

*Some bonds sold through London and credited to Great Britain were doubtless taken in other European countries. No information is available as to the amounts but they represent only a small percentage.

** The amounts for corporations and for railways include the bonded indebtedness of direct investments as follows:—

Great Britain.....	\$ 53.7 million
United States.....	\$288.5 million
Other Countries.....	\$ 9.9 million

It is in the field of portfolio investments other than fixed interest-bearing securities that the chief difficulty of estimation lies, for the problem of dividing foreign investments in Canada into direct and portfolio categories is not a simple arithmetical one of deducting the published totals for direct investments from the published total figure for all investments.

This will be clear when it is realized that the connotation of the term "direct investments" is narrower or broader depending upon which of two points of view are in use. One point of view embraces the conception of the foreign investment in Canadian companies which are "controlled" outside of Canada. In this case the total foreign investment of the country in which control lies is considered. This is the point of view adopted in the Bureau's estimates of direct investments and is the broader conception. But this total for British or foreign direct investment in Canada will include not only the equity securities owned by those actually exercising control in another country, but also the equity securities held in the same country by investors who have no active share in control. It will also include any indebtedness of the Canadian company which is held in the country where control lies. Long-term indebtedness will usually take the form of bonds, but as a rule these will be held by others than the controlling firm or group, though the latter may be creditors of the Canadian company through inter-company loans and advances.

Hence, there is a second point of view which narrows direct investments to the investments which actually control the Canadian business and excludes those equity and long-term investments which, though owned in the same country where control resides, have no actual share in the control at the moment. Therefore, such non-controlling equity and long-term securities of controlled companies, though rightly included from the broader point of view in direct investments, from the narrower point of view partake of the nature of portfolio investments. They enter into the capital investment picture in much the same way as a portfolio investment in a Canadian company which is controlled in Canada and not in another country. The circumstances under which the original investment was made, the investors' relation to the Canadian company, and the potential relations of such investors to the Canadian capital market, resemble closely those connected with portfolio investments.

It may be concluded, therefore, that though it is possible to classify Canadian companies as direct investments because of the appearance of control residing in another country, it is not possible to be more precise and to separate out the element of portfolio investment which resides in many investments properly classified as direct according to the broader conception. In fact, it may be said, there is a considerable amount of investment in Canada which has a more or less dual character, being classified as direct from the broader point of view, but which, if the narrower point of view concerning direct investments could be followed, would be classified as portfolio investments.

Because of these peculiar problems connected with the valuation of portfolio investments, it has been deemed advisable not to include in this book any table purporting to be an estimate of such investments. Statement VII contains data indicating the portfolio investment in bonded debt. In this type of investment, since it is usually non-control capital, there is a minimum of the dual character described above.

CHAPTER VI

Canadian Investments in Other Countries

As compared with British and foreign investments in Canada in 1937, amounting to \$6,765 million, Canadians had invested in other countries \$1,758 million or more than 25 per cent. The largest portion, \$1,098 million, was invested in the United States. About \$41 million was invested in Great Britain and \$619 million in all other countries. These investments are classified into five principal groups. For some of the groups, very complete information is available, but in some cases the character of the available data leaves a good deal to be desired. The following description of the method used to obtain group figures will indicate the varying degrees of reliability.

Canadian government credits consist of the loans made by Canada to foreign governments in so far as these are still outstanding. Annual figures are available in the Dominion Public Accounts. For the fiscal year ending March, 1937, they were as follows: advances to the Greek government, \$6,525,000, and advances to the Roumanian government, \$23,969,720.

Earlier estimates of net assets of Canadian banks outside of Canada prepared by the Dominion Bureau of Statistics, were calculated from monthly returns of the chartered banks, the year-end figure being taken. The method used was to take the difference between assets and liabilities shown in the statement as existing abroad. Unfortunately, it is impossible to ascertain from the monthly statement all the items which properly come within this category. Because of this, a special statement has been secured annually in recent years from the Canadian Bankers' Association. This statement supplies information concerning the net assets of Canadian banks abroad on December 31. These are defined as the amounts due by United States offices and other branches and agencies located abroad to the head office and Canadian branches, or, in other words, the amount of funds supplied by Canadian branches and head offices to New York or other branches or agencies in the United States and other countries held by them on December 31.

In earlier statements of the Canadian Balance of International Payments, a separate item was shown covering British and foreign securities held by the banks. Since these are almost entirely held by branches abroad, they form part of the net assets picture and are no longer shown separately.

Foreign securities held in Canada by Canadian insurance companies constitute an important item in Canadian investments abroad. Canadian insurance companies have large holdings of such securities in their portfolios in Canada as well as those placed in the portfolios of branches located abroad. The latter are not included in the present item, but come up for consideration along with the question of the net assets of Canadian insurance branches abroad.

In connection with the net assets of Canadian insurance companies held abroad, an important change of policy has been made by the Bureau. Prior to 1936, these assets were included as a part of Canadian investments in other countries. Commencing with 1936, they have been omitted. The reason for this omission is the fact that these insurance investments, so called, are not investments of quite the same character as the other items. The large assets in other countries held by Canadian insurance branches in those countries have against them, besides ordinary liabilities, the fiduciary interest of policyholders. In fact, when the prospective claims of policyholders are considered, it appears that, on balance, there is a small net investment of these branches in Canada

rather than a Canadian investment abroad. This is possible because the assets underlying the Reserve Fund need not all be held abroad. On the other hand, the fact that assets can be transferred between countries gives an importance to them as a factor in capital movements. On account of the ambiguity of this item, it is not now included in the total of Canadian investments abroad, but the figures are shown in a separate table. The question of capital movements connected with Canadian insurance business in other countries is more fully discussed in Chapter XX.

In the item called "Direct Investments" are included all the Canadian investments in branch and subsidiary companies and property abroad. These will be discussed in the next chapter.

Under the heading "Miscellaneous Investments" are included all portfolio investments, with the exception of those already provided for in the holdings in Canada of foreign securities by Canadian insurance companies. Consequently, it includes the holdings of British and foreign bonds and stocks by all other Canadian corporations and by individuals. It is well known that Canadians are extensive holders of American securities. It is also known that during the period 1926 to 1929, Canadians were heavy purchasers of foreign bonds such as Brazilian, Chilean, French Line, Italian, German, etc. In recent years a large proportion of these have been in various stages of default.

Estimation of a figure for this miscellaneous group has been one of the most difficult phases of the whole study. Despite much research work which explored every available field, less confidence is felt in the results than in almost any other item, particularly in regard to the Canadian portfolio investment in countries other than the United States. A recent study of foreign investments in the United States made by the Finance and Investment Division of the United States Department of Commerce has tended to confirm the Bureau's estimates of Canadian portfolio investments in that country. The following statements reveal the differences in the Canadian and American estimates at the end of 1934:

VIII. CANADIAN INVESTMENTS IN THE UNITED STATES (AMERICAN ESTIMATES) 1934

	MILLIONS OF DOLLARS
Direct investments (book value)	367
Common stocks (market value)	333
Preference stocks (par value)	89
Bonds (par value)	49
Other investments	169
	<hr/> 1,007 <hr/>

IX. CANADIAN INVESTMENTS IN THE UNITED STATES (CANADIAN ESTIMATES) 1934

	MILLIONS OF DOLLARS
Direct Investments	262
Banks	62
Foreign securities held in Canada by insurance companies	120
Miscellaneous investments	477
	<hr/> 921 <hr/>

As they stand, the statements are not comparable because of the different methods adopted when compiling them. If allowance is made for the variation in methods, the results corroborate each other fairly closely. The American figure of \$367 million for direct investments is larger than the Canadian, mainly because it includes items which the Canadian figure of \$262 million excludes. In the American figure are included certain concerns in the United States which

have unique relationships with companies located in Canada. A good example is the American interests of the International Nickel Company located in the United States, including the office in New York and the works in New Jersey and West Virginia. Since the International Nickel Company is predominantly owned by American and British interests, its offices and factories outside Canada have not been included as Canadian investments in other countries in the Canadian estimates.

There is also included in the American figures of direct investments the sum of \$50 million for the finance items, insurance, banks, trust companies, etc. The Canadian estimate treats banking investments as a separate item and excludes insurance investments for reasons explained elsewhere. There are no direct investments of Canadian trust companies in the United States. The Canadian figure for investments of Canadian banks in the United States is larger than the American, \$63 million as against \$23 million. This is explained by the fact that quite different methods are used by the respective countries in arriving at the banking figure. In Canada the objective is to ascertain what the Canadian branch banks in the United States owe to the Canadian parents, which entails consideration of long and short-term investment. The American method takes into consideration only long-term investments. If all of these facts are taken into consideration, the figures for direct investments do not differ by a material amount, the Canadian figure being \$325 million (\$262 million direct investment plus \$63 million investments of banks) while the American figure will probably be in the neighbourhood of \$350 million. The final difference of \$25 million is accounted for by differences in arriving at valuations of individual concerns and to differences in the lists of companies included. There is some doubt in the case of a few companies as to whether they should be considered as having assets of any value.

As to the other items in the two statements, they may be lumped together for comparative purposes. They consist, in the main, of securities. If the four items in the American estimate (common stocks, preferred stocks, bonds and other investments) are grouped, the combined total is \$640 million. The remaining items in the Canadian estimate are United States securities held in Canada by insurance companies and miscellaneous investments, their total being \$596 million. The figures for American stocks and bonds are probably somewhat high, judged by the Canadian method, because of the possible inclusion of some of the securities held by banks in the United States for Canadian insurance companies. They also include the securities held by private investment corporations chartered in Canada by Americans and owning American securities. Since these are not, in reality, an investment by Canadians in the United States, no attempt has been made to include them in the Canadian estimates. The American figure for other investments includes government bonds (as distinct from corporation bonds), assets of American trust companies administered for Canadians, and Canadian investments in real estate located in the United States. The Canadian estimates do not include any allowance for the value of assets located in the United States and administered by American trust companies on behalf of non-resident Canadians. The omission was due to lack of sufficient data. For the same reason no figure is included for Canadian investments in real estate located in the United States. If allowance is made for all of the above causes of difference in the two estimates, the two totals would be very close.

With regard to the security items, however, there is a difference in the respective estimates which should be mentioned. In this case it arises because of differing bases of valuation. In the American estimate, the stocks were valued at the market value of 1934, while in the Canadian estimate common

stocks were carried at the original investment price. If they were purchased at the high prices of, say, 1928 and 1929, they were carried at that valuation and not deflated by subsequent market averages. Since there was heavy purchasing prior to 1929, and since prices were much lower in 1934, one would expect that the Canadian estimates for investments in American securities would be higher than the American estimate, whereas in the preceding paragraph they have been shown to be fairly similar in amount. It is possible, therefore, that the Canadian estimate, on the basis of the method used, is somewhat conservative. However, the error, if it exists, is not serious from the point of view of current balance of payments statements for two reasons. Calculation of interest and dividend payments to Canadians by Americans is not dependent upon these figures, but is based upon direct inquiry made by the Finance and Investment Division of the United States Bureau of Foreign and Domestic Commerce. In the second place, in recent years through monthly questionnaires on the purchase and sale of securities a reliable estimate can be made of yearly movements. For earlier years the figures issued indicate the order of magnitude of the values involved. It does not seem probable that they are sufficiently underestimated to affect seriously the amounts shown in the years concerned for capital exports in the balance of payments statement.

In the field of miscellaneous investments in other countries, there is a greater element of doubt in the figures. It is certain that, in the early part of the period under review, Canadians made heavy purchases of foreign bonds. Information was obtained from certain investment dealers who were members of the selling syndicates which handled some of the issues. Concerning numerous important issues, it has been found possible to secure only fragmentary data. The situation is complicated by the fact that the bonds were mostly issued for sale in the American market so that Canadian participation was more or less incidental. Since this was the case, interest payments will be made to American agents, consequently, the issuing country will have no knowledge of the extent of the Canadian holdings.

For the beginning of 1926, it was estimated by Professor K. W. Taylor that the amount of such securities owned by Canadians was \$155 million. His starting point was an estimate made by Mr. C. P. Fell and given in an address delivered at the Convention of the Canadian Investment Bankers' Association in June, 1926, to the effect that during the eighteen months ending June, 1926, \$100 million of such bonds were bought by Canadians. In view of additional information gathered by the Bureau it was decided to adopt a figure of \$145 million as the private holdings of foreign bonds by Canadians at the end of 1926. For subsequent years the estimates are based on such information as has been described in the previous paragraph. This group also includes the portfolio holdings of Canadians in such companies as International Petroleum, Brazilian Traction, etc. Any direct investments in companies such as these are included in the special group dealing with direct investments.

From the end of 1926 to 1931, an increase of \$133 million is shown in the holdings by Canadians in the bonds of the "all other countries" geographical group. Due to defaults, the present value of such securities is considerably less, but there has been no writing down of their values for the purpose of the estimate. There is no means of knowing what their ultimate value will be; hence, they are carried at their original value for the time being but some reduction in the amount of the original holdings has been allowed for. In compiling the interest item for the current account, the method used involves a careful study of the actual interest payments being made on the specific issues which are known to be held in part by Canadians.

In this case, it is possible that the estimated holdings are too high. Fortunately, again, this is not likely to have a serious effect on the balance

of payments statement. Suppose the estimate is \$50 million too high and assume as high an interest rate as 5 per cent. This would mean a credit error of \$2.5 million in the annual statement of interest receipts. But it was pointed out previously that the Canadian estimate of Canadian investments in United States securities may be too low. These possible sources of error will offset each other in whole or in part and render the effect on the balance of payments statement negligible. They would tend to have the same result on the annual capital estimates of earlier years. The present system of recording purchases and sales of securities furnishes reliable records of current transactions in such securities.

CHAPTER VII

Canadian Investments in Other Countries— Direct Investments

An appraisal of Canadian direct investments abroad must utilize principally the sources of information available in Canada. It is necessary to trace these investments, for the most part, from their Canadian origins and to obtain information from the Canadian investors rather than from the branches or subsidiaries abroad. This has tended to influence the scope of the investment data obtained. With few exceptions, it is necessary to depend upon reports of the existence of particular investments from Canadian sources. In some respects, however, the available material is increased, as, proceeding from this source, it is possible to include some cases of admitted direct investment where the Canadian investment interest is less than a majority holding.

Accordingly, the tables of Canadian direct investments abroad, shown in this report, include not only investments in branches and subsidiaries in which there is a majority Canadian interest in the capital, but also those instances where affiliation or other active interest in a foreign company could be traced to a Canadian company. In these latter cases, the foreign company is customarily engaged in the same kind of business abroad as that in which the Canadian company is engaged in Canada. Included also as direct investments abroad are a few companies which are controlled by substantially the same shareholders who control the affiliated Canadian company.

Not all of the direct investments are in branches, subsidiaries or affiliates of Canadian companies whose principal operations are in Canada, their external operations being only supplementary. There are a number of companies of Canadian incorporation whose entire operations are conducted outside of Canada. Some of these are controlled by Canadian shareholders and are included in the tables of Canadian direct investments abroad. It is well to note, however, that some companies operating entirely abroad, although incorporated in Canada, are not controlled by Canadian capital. These have not been included as direct investments abroad, since where there is a minority Canadian interest only it is properly considered a portfolio investment. This principle has been followed even if the company was originally organized by Canadian enterprise.

Although most Canadian direct investments in other countries fall into the class of companies whose principal operations are in Canada, there is a group of companies operating in Canada with branches or subsidiaries outside of Canada, which may not be considered in quite the same light as the main class of Canadian companies with direct investments abroad. This particular group of Canadian companies in turn falls in the class of United States direct investments in Canada. In determining the position of the external investments of these foreign-owned Canadian subsidiaries with regard to Canadian direct investments abroad, the circumstances in each case had to be considered individually. In doing so, one of the principles followed was whether the direct investment abroad was of a kind which would have an influence upon the Canadian balance of international payments, as this is one of the important criteria in determining the significance of international investments. Sometimes the subsidiaries abroad are merely nominally owned and controlled by the Canadian company, their stock being only formally held by it. In these cases the capital originally invested in the foreign subsidiaries was from a parent organization outside of Canada and any subsequent financial transactions are between the foreign subsidiary and the foreign parent company of the Canadian

company. There is no real reason for treating such subsidiaries abroad as Canadian direct investments outside of Canada, as, in such cases, not only is the capital invested non-Canadian in its origins, but neither are there any effects upon the Canadian balance of international payments arising from the operations of the subsidiary.

To follow a principle based only on the ownership of the capital involved is too rigid a procedure, however, since it overlooks the economic effects of the operations of some companies, which effects may be quite independent of the ultimate ownership. There are situations where the company abroad, the subsidiary of a company in Canada, has substantially the same effects upon the Canadian balance of payments regardless of whether that company in Canada is controlled by Canadian or foreign capital. Accordingly, there are some important instances where direct investments have been included in the tables although they are the investments of Canadian companies which are controlled outside of Canada. Whenever this has been done there has been some special reason for doing so. In some cases the capital invested abroad was clearly the investment of capital originating from Canadian production and, considered from the economic point of view, represents an investment of Canadian capital outside of Canada, even though the ultimate ownership may rest in, say, the United States; or the foreign subsidiaries may be subsequently financed by the Canadian company, or interest, dividends, and other remittances may be made directly to the Canadian company. One large company operating outside of Canada has been included, partly because the dividends it pays to its Canadian parent company have been an important source of that company's dividend payments to its parent company in the United States, and if these latter payments are to be regarded as remittances from Canada to the United States, they must consequently be offset by the relevant receipts.

Although the value of Canadian direct investments abroad may not, therefore, be considered as entirely representing the Canadian ownership of industrial and other enterprises abroad because of these exceptional cases, from a broader point of view these instances do represent an expansion of Canadian activities abroad.

A group of Canadian concerns with important operations outside of Canada has not been included in these tables of direct investments. This is the financial group of companies, viz., Canadian insurance companies, chartered banks, brokers, investment dealers and investment companies with activities outside of Canada. There are reasons why the investments abroad of these concerns are not in the same category as those which have been included. Canadian insurance companies with branches in other countries have liabilities outside of Canada, arising principally from the fiduciary interests of the policyholders, which exceed the assets held outside of Canada. Although in some countries, such as the United States, the assets exceed the liabilities, leaving a net investment, the net assets there might be considered as being held against the excess of liabilities in overseas countries. Consequently, the investments of Canadian insurance companies held outside of Canada at their branches are not taken as Canadian direct investments abroad. In 1936 there were 32 Canadian insurance companies doing business outside of Canada, 15 writing only life insurance abroad, 16 writing fire and other classes of insurance and one writing both life and fire insurance. But, in the same year, the assets of Canadian life insurance companies that were held outside of Canada were valued at over \$645 million, while the liabilities abroad exceeded \$871 million. The assets of Canadian fire and other insurance companies in other countries are relatively small.

The net assets abroad of the Canadian chartered banks are also excluded from the tables of direct investments. In 1936, six of the chartered banks operated branches outside of Canada, there being 13 branches or agencies in the United States, seven in the United Kingdom and 125 in other countries, mostly

in the Latin-American countries. The assets of the banks abroad are constantly fluctuating, representing as they do the external balances of the Canadian branches as well as the assets connected with the business of the branches abroad. Many are of a short-term character and are not comparable to investments abroad of industrial and other firms included in the tables.

Likewise, the assets of the branches and subsidiaries outside of Canada of Canadian investment dealers and brokers are mostly of a floating type and any investment companies of foreign incorporation owned by residents of Canada are more comparable to portfolio than to direct investments.

The investments by Canadians in residential properties and other unproductive classes of real estate in other countries are also excluded.

VALUATION OF INVESTMENTS

The value of investment shown in the tables is, in the case of the common and preferred stock of subsidiaries, the value at which these equities are shown in the books of the subsidiary abroad, as contrasted with the value at which they may be carried in parent company balance sheets. The value used for common stocks is the equity of the common shareholders, taking account of accumulated surpluses or deficits as well as, in some cases, other relevant items, such as inter-company advances. Bonds and debentures and preferred stocks are shown at their par values and the value of unincorporated branches is represented by the net assets.

ANALYSIS OF TABLES 4 AND 5

An analysis of the tables on Canadian direct investments abroad discloses the concentration of these in the United States, 64 per cent of the total value being represented by investments in that country. About two-thirds of the value of these investments in the United States is in railways, reflecting the extension of the two principal Canadian railway systems into neighbouring regions of the United States. The other important groups of direct investments there fall in the manufacturing, mining and petroleum groups. Investments in the former group arise from the expansion of some Canadian industries into the United States market, while in the latter group there are the many investments made in subsidiaries engaged in mining and the extraction of petroleum in the United States by Canadian companies employing raw material from these sources in their Canadian operations.

Canadian direct investments in the United Kingdom are small in value, as might be expected from the nature of the trade between that country and Canada. Canadian investments in the other British countries are included in the category "other countries." Most of these are subsidiaries of Canadian companies engaged in manufacturing in various parts of the Commonwealth, particularly in the Dominions. Remaining investments in "other countries" are mainly concentrated in the Latin-American countries. The largest portions of the value of these investments are in the petroleum industry in the northern countries of South America and in public utilities scattered throughout that region, the West Indies and Central America.

The table showing the forms of organization employed by Canadian firms with direct investments abroad reveals a marked preference for carrying on operations abroad through wholly-owned companies incorporated in the country where they operate. About three-quarters of the total investment is held through this form of organization, with another 20 per cent or so in British or foreign companies in which there are also some British or foreign shareholders. Investments in unincorporated branches, mining claims, oil leases, etc., are relatively negligible. As might be expected, most of the securities through which the direct investments are held are equity securities, bonds and debentures constituting only about 22 per cent of the investment.

CHAPTER VIII

The Current Account

It was mentioned in Chapter II that a complete balance of payments statement is tripartite. The first part—that dealing with international indebtedness—has been the subject matter of Chapters III to VII. The next seven chapters will deal with the Current Account which is the second part of the statement.

In the Current Account will be found a record of the estimated debits and credits arising through international transactions in goods and services for the calendar year. A description of each item included, together with an explanation of the methods of estimation, will be given in the succeeding chapters.

Table 6 shows the relative importance of the items included, along with the balancing item. All items except the balancing item relate to sales or purchases of goods and services. The delineation of purely capital items is the function of the last part of the statement, viz., the Capital Account. But when all the relevant items for the current account have been entered, it will almost invariably be found that the two sides do not balance. As already pointed out the explanation is to be found in a capital movement inward or outward. That is to say, if more goods and services have been sold than have been purchased, then the inference is that the surplus of credits has been utilized to make capital payments. These may take the form of meeting maturities, retiring outstanding indebtedness before maturity, making new investments, etc., but whatever form they take they represent an outflow of capital. On the other hand, if more goods and services are purchased than are sold, the difference represents an inward flow of capital. That is to say, the surplus debits are financed by movements of capital from other countries. This may be made up in part by maturing obligations, other retirements connected with British and foreign securities held by Canadians, reduction of bank assets abroad, or sales of foreign securities, but it is most likely to be represented by new investments by outside countries in Canada.

Differences between debits and credits, as described above, are embodied in the "balancing item" which appears in Tables 6 and 7. This item is also known as the indirect estimate of capital inflow or outflow. If the balance of international payments statement was a complete record of every international transaction and if all the amounts were absolutely accurate, that is, if there were no errors or omissions, then this indirect method of arriving at capital movement would be quite sufficient for furnishing us with the correct figure for net capital imports and exports. Unfortunately, such a degree of accuracy is quite unattainable in an investigation of this kind, consequently a direct estimate of capital movements is necessary and this appears in the third part of the statement. Furthermore it is essential if light is to be thrown upon the nature of the movements of capital in order to consider their significance and potential effects.

It may be wondered why certain items, apart from the balancing item, which appear to partake of the nature of capital, are included in the Current Account rather than the Capital Account. In particular, there are the two items, "Interest and Dividends" and "Capital of Immigrants and Emigrants." The explanation is that, while these items are closely related to capital movements, nevertheless they have distinctive characteristics which warrant their inclusion in the Current rather than the Capital Account. Interest and dividends are payments for the services currently rendered by capital investment even though such investment is of long standing. It is true that some dividends may partake of the nature of capital repayment as in the case of a mine paying high returns, but for practical purposes it seems best to ignore such a distinction.

Capital brought into a country by immigrants or taken out by emigrants has many features which differentiate it from other types of capital investment. In the first place it is usually taken into a country in such a manner as to become indistinguishable from the ordinary domestic capital of that country. The migrant becomes an inhabitant of the country and his capital is like the domestically owned capital of other citizens. More important still, such capital ceases to have any international implications. No dividends or interest are payable on it to people in other lands if it is owned by the migrant. Of course, there may be cases where it has been borrowed from a relative or friend. If that is so, then the repayment is provided for subsequently in immigrants' remittances. Because of these peculiar features, even though the item does not quite fit into the category prescribing a sale or purchase of goods and services, it seems best to include it in the Current rather than the Capital Account.

Mention has been made of errors and omissions. As regards the latter, it may be admitted readily that there are known omissions. The number of these is being reduced as the technique of gathering data for the balance of payments develops. Some items are extremely elusive. For example, such transactions as come under the head of smuggling or purchase of lottery tickets do not lend themselves to statistical counting. Among the other items concerning which little actual statistical data exist, are the following: payments to theatrical companies, lecturers, and for other professional services from outside countries and receipts for similar services performed by Canadians abroad, royalties, direct magazine subscriptions, cables, international ferries and bridges, manufacturing licences, patents, etc.

Fortunately the total for such items cannot be very large and their omission does not seriously affect the balance of payments statement. Moreover a round figure is estimated each year to allow for them. It is logical to conclude that the "error and omission" figure shown in each statement is due mainly to inaccuracies in the more important items of the Current Account or to those in the Capital Account rather than to the omission of important items. The most important line of advance, therefore, lies in the direction of increasing accuracy in the main items.

CURRENT ACCOUNT 1926-1937

As already pointed out, the Current Account not only, by means of the balancing item, indirectly indicates the net movement of capital, it also provides a measure of total external income and disbursements. In Table 7 the total credits, debits and balancing items in the Canadian Current Account are shown by countries for the period from 1926 to 1937. Total credits include estimates of all credits received from external sources by Canada each year from the sale of merchandise, gold and services to other countries. Total debits include estimated payments to other countries by the Dominion for purchases of merchandise or services including payments of interest and dividends on British and foreign investments in Canada.

When credits exceed debits there is a credit balance reflecting an outflow of capital from Canada, as current income from abroad is greater than all disbursements of a current character abroad under such circumstances, the resulting surplus supply of foreign exchange being utilized either to increase Canadian capital assets abroad or to reduce capital liabilities abroad. Conversely, when disbursements abroad on current account exceed external income there is a debit balance reflecting an import of capital. In other words, to obtain foreign exchange under such circumstances to meet the excess of current disbursements over income, Canada either has borrowed capital abroad or disposed of or withdrawn Canadian assets abroad.

As the table shows, there were credit balances on current account indicating net outflows of capital in every year during the period 1926 to 1937 except in those from 1929 to 1932 when current disbursements exceeded current income. Detailed analysis of the groups of transactions constituting the current account and of the capital movements reflected in the balancing items will be found in the chapters on the various items of the Current and Capital Accounts.

Providing as they do a measure of total external income and disbursements, the total credits and debits on current account shown in the table are of special interest in their relation to the national income. In every year both total credits and total debits represent very substantial proportions of the national income of Canada. The greatest volume of credits on current account occurred in 1928. In succeeding years total credits were sharply reduced, the lowest levels being reached in 1932 and 1933. After 1933 the recovery in the volume of total credits was rapid and in 1937 the total was not far short of the level in 1926, 1927 and 1929, years in which, it should be noted, the level of prices was higher. Disbursements on current account, as revealed by the total debits, were at their highest level in 1929. The sharpest decline in subsequent years occurred in 1931 and the lowest level reached was in 1933. Growth in succeeding years was less rapid than in the case of total credits, the largest gains occurring in the two latest years of the period.

The result of these changes has been that substantial balances of credits on current account have developed, notably in the years between 1935 and 1937. In other words, in recent years part of the national income from external sources has been employed by Canada on capital account, in the main for the reduction of Canadian liabilities abroad. This contrasts with earlier years of the period, when from 1926 to 1928 less substantial credit balances on current account were employed principally for increasing Canadian investments abroad. The contrast with the years between 1929 and 1932 is even greater. In those years external disbursements on current account exceeded income abroad, the difference indicating increases in Canadian liabilities abroad and declines in the assets of Canadian banks abroad.

CHAPTER IX

Commodity Trade, Exports and Imports

Commodity exports and imports constitute the largest credit and debit items in Canada's international transactions. If the figures published in Canadian Trade Reports are compared with those shown in balance of payments statements they will not be found to agree. This is due to the fact that certain corrections have to be made in the trade statistics figures for the purpose of the balance of international payments statement. The nature of these corrections will be described below.

Canadian import statistics include all goods "entered for consumption," that is, goods which have passed through the customs and into the hands of the importer. They do not include goods in transit, for example, goods passing from the United States via Windsor, through Southern Ontario to another United States point, nor do they include goods still held in bond. Export statistics include all commodities shipped out of Canada except goods ex-warehoused for ships' stores. Both import and export statistics include certain items which are of a non-commercial nature involving no transfer of funds. These non-commercial items include: settlers' effects, articles to be ex-warehoused for ships' stores, free advertising materials, cinematograph films which are later paid for on more or less of a royalty basis and elsewhere accounted for, donation of articles from abroad, apparel of Canadians dying abroad, trophies won in competitions, etc. Two other items require special notice.

Animals imported and exported for exhibition purposes are imported free of duty provided they are to be exported within three months, and are recorded as imports ex-warehoused for exhibition purposes. If they should be sold in Canada, a return must be made and the duty paid, in which case they are again recorded, but as ex-warehoused for consumption purposes. Imports for exhibition purposes, therefore, must be deducted from the import totals. A similar deduction must be made for exhibition animals exported.

Imports of ships into Canada are not all recorded in the customs statistics. The items which appear in the classifications are:

(1) "Ships built in any foreign country if British registered since September 1, 1902, on application for licence to engage in the Canadian coasting trade."

(2) "Vessels, dredges, scows, yachts, boats and other water-borne craft, built outside of Canada for use in Canadian waters (not including vessels engaged in the coasting trade, nor vessels in transit between Canada and any place outside thereof)."

These categories exclude all vessels which are used in foreign trade, whether produced in Great Britain or elsewhere, and also vessels for use in the coastwise trade if constructed in Great Britain, whether old or new. Such vessels, therefore, are not entered through the Canadian customs. The ships which are entered—in addition to small pleasure craft—are the foreign-built ships which have been transferred to a Canadian port of registry in order to engage in the coastal or lake trade. The ships excluded are Canadian Pacific liners, which are international in their activities, also numerous oil tankers. Since the purchase of such ships involves a transfer of funds from Canada an addition must be made to the recorded figure for customs imports. Lists of these ships have been obtained from port records during recent years and the owners circularized. Some data were obtained from British trade returns for earlier years.

Another type of adjustment in trade figures which has to be made for the balance of payments statement is that which has arisen from time to time because of exchange disparities. During the period after 1931 currencies which had depreciated in terms of the Canadian dollar experienced a competitive advantage in relation to the customs tariff. To counteract this, special currency values for duty purposes were proclaimed by Order in Council for many countries with depreciated currencies, though not for all. Currencies on gold were entered in terms of Canadian dollars; and the British pound sterling, after it rose to a premium in Canadian dollars, was entered for duty purposes at par. Such values for duty did not represent the extent of actual remittances from Canada. When sterling or any other currency was depreciated and was entered at par, there was overvaluation in terms of Canadian dollars. When sterling was at a premium and was entered at par, there was undervaluation in terms of Canadian dollars in relation to the actual amounts of dollars remitted in payment. An estimate of the amounts of such overvaluation or undervaluation based on a study of the trade returns was made, and constitutes another adjustment in the trade figures for balance of payments purposes.

A good many other problems arise in connection with trade statistics which suggest adjustments. In some cases adjustments have been made, in others they are not yet possible. A brief description of some principal items follows.

One source of error in trade statistics arises through dumping regulations. Item 36 of memorandum No. 419, 2nd revision, of the Department of National Revenue reads:

(1) Such market value shall be the fair market value of such goods in the usual and ordinary commercial acceptance of the term and as sold in the ordinary course of trade, such value in no case to be lower than the selling price thereof to jobbers or wholesalers generally at the time and place of shipment direct to Canada.

(2) Provided that the value for duty of new or unused goods shall in no case be less than the actual cost of production of similar goods at date of shipment direct to Canada plus a reasonable advance for selling cost and profit, and the Minister shall be the sole judge of what shall constitute a reasonable advance in the circumstances and his decision thereon shall be final.

Item 43 of the same memorandum reads:

If at any time it appears to the satisfaction of the Governor-in-Council on a report from the Minister, that goods of any kind not entitled to entry under the British preferential tariff or any lower tariff are being imported into Canada either on sale or on consignment under such conditions as prejudicially or injuriously to affect the interests of Canadian producers or manufacturers, the Governor-in-Council may authorize the Minister to fix the value for duty of any class or kind of such goods, and notwithstanding any other provision of this Act, the value so fixed shall be deemed to be the fair market value of such goods.

It is probable that Item 43 operates in the main to keep out imports which for certain reasons are considered undesirable so that in so far as this policy is successful, trade statistics will not be affected. Under Item 36, however, there are numerous imports which have a special valuation for duty purposes set upon them in accordance with the terms of the Act. These valuations are higher than the invoice value and represent to that extent an overvaluation from the point of view of the balance of international payments. A satisfactory basis has not yet been developed for adjusting any overvaluations arising through these discretionary powers of the Department of National Revenue under the dumping clauses of the Act.

Apart from these special cases it does not seem probable that imports in general are entered at a valuation higher than the purchase price in the country of original shipment. The fact that more than half of Canada's imports are dutiable and the imposition of an excise tax on many commodities motivate the importer in the direction of low valuations. However, the "fair market value at time and place of shipment" is not necessarily the selling price to the pur-

chaser in Canada. In fact the form of invoice, approved by the Canadian Customs (1934) for goods sold by the (foreign) exporter prior to shipment distinguishes between the two values by providing a column for each. Doubtless these columns will usually show the same figures but not in all cases.

An instance of overvalued imports occurs in the case of some imports of distilled spirits and wines. Although such imports from the United Kingdom since April, 1935, have not included the amount of the British excise taxes in the valuations, they did so previously and there may still remain overvaluations of distilled spirits imported from other countries when the countries of origin have excise taxes on alcoholic beverages. (The excise taxes of the country of origin are not imposed on exports and, therefore, are not paid by the Canadian importer but they are included in the Canadian customs valuations.)

Declared merchandise imported by Canadian tourists returning to Canada has in the past constituted an overvaluation in import statistics from the point of view of the balance of payments, because the value of such purchases was included in the estimate of Canadian tourist expenditures outside of Canada. The necessary adjustment was not made in the balance of payments estimates for the years 1926 to 1936 owing to lack of definite information. In 1936 official provision was made for exemption from duty, under certain conditions, on the purchases (up to a total value of one hundred dollars) of Canadian tourists in other countries; such purchases were then recorded separately in the customs statistics. An adjustment will be possible in future years. In 1936 these imports were valued at approximately \$3.5 million of which slightly less than \$3 million worth was imported from the United States.

When goods are imported from overseas, consideration must be given to the question of whether the cost of transportation from the point of origin to the ocean port of shipment abroad has been included in the customs valuation. Practice varies in this connection. It appears that in numerous cases the customs valuation includes the inland freight abroad. Merchandise from the inland countries of Europe may be purchased from agents in some port such as Hamburg. When this is done, the Canadian importer will often advise the exporter or seller to enter on the invoice the value as at the point of original shipment, with the freight, etc., to Hamburg shown separately. In such cases the Canadian customs valuation will be the value at the point of original shipment and the freight will not be included. But just as Canadian wheat originating from the West and unloaded at Montreal may afterwards be entered for export at a valuation f.o.b. Montreal, so goods originating outside Hamburg and sold by a Hamburg agent may be sold at a valuation f.o.b. Hamburg. In such cases, it is the f.o.b. Hamburg price which appears in the invoice and is entered in the Canadian customs valuation. Consequently no allowance need be made for the inland freight in the freight item of the balance of payments since it is included in the commodity trade entry. It appears to be necessary that the customs authorities exercise some freedom in interpreting the point of original shipment because of the nature of *entrepôt* business. No information is available concerning what transpired prior to the possession of the goods by the exporter in the *entrepôt* port.

Inland freight is more frequently included in the customs valuation when the goods have been exported from a port in the country of origin. There is usually not much difference in prices within a country like Germany. A typical price quotation is "free delivered in the home market." When this is the price at which the goods were sold it may be assumed that at least most of the inland freight is included. The investigators of values are in the practice of accepting such a price as the "fair market value." Foreign taxes like the 3% German sales tax are included in the "fair market value" for calculating general duties. Export rates on the Continent are generally low and in Ger-

many are subsidized by the Government. Merchandise exported from Czechoslovakia is usually sent via water transport on the Elbe to Hamburg and the rates are very low.

There are some commodities imported from overseas for which the Canadian import values definitely do not include the inland freight, etc. A commodity sold in bulk like Welsh coal is an example. That the inland freight and miscellaneous charges are an important item is revealed in the following data published in the report of the Royal Commission on Anthracite Coal. The following costs of a coal company are itemized:—

SCREENED COBBLES FROM IMPORTED COAL

	s. d.	Canadian Currency
Price at mine in Wales per short ton		\$5.97
Rail rate to docks	2 0	
Wagon hire	0 9	
Dock charges, weighing, tipping, etc.	0 9½	
Insurance	0 0½	
Total, above four items	3 7	0.80
Ocean freight, Swansea to Montreal	6 10½	1.53

Miscellaneous rail freight, wagon hire, etc., amount to about 80 cents, or more than half the ocean freight from Wales to Canada. If these costs are indicative of the amounts for all coal imported from the United Kingdom the amount involved was over \$1 million in 1936. The freight item in the balance of international payments statement in so far as imports are concerned covers only ocean shipping and should be supplemented by a figure for inland freight in so far as it is not included in customs valuations. So far no practicable method of obtaining this item has been devised.

Of particular importance for the balance of payments is the practice of many Canadian branches and subsidiaries of foreign companies by which they receive imported merchandise without immediate payment. There are various reasons for this kind of transaction. The merchandise may be equipment or machinery or some other form of capital goods which represents long-term capital invested in the branch by the parent company. Such capital movement is frequently employed when a branch is being established. But a common method of financing the operation of existing branches is for the head office to ship merchandise (parts or materials, etc.) to the branch without requiring payment as promptly as in normal commercial sales. In some cases the merchandise is never entirely paid for and remains a debit against the branch in the intercompany account. Data on such transactions are obtained from all branch plants by an annual questionnaire and the necessary adjustments in the balance of payments statement can be made.

With regard to statistics of commodity exports there is not the same motive for checking valuations because exports do not produce customs revenue. The prescribed value of exports of Canadian merchandise is "the actual cost or the value at the time of exportation at the points in Canada where consigned for export" (or "whence originally shipped"). For some commodities any valuation on this basis must be nominal. Some of Canada's primary products are mainly for export, and since the domestic market is not large enough to influence world prices, the domestic price may not be a true indication of what is realized through sales to other countries.

With the exception of grain and farinaceous products, balance of payments figures of commodity exports are based upon the assumption that the export valuations exclude freight, etc., from the points in Canada from which the goods were consigned for export. But as the prices at which exports are sold may be f.o.b. the ocean port in Canada or may even include the ocean freight when this is prepaid, there is the possibility that the exporter will record this

valuation on the export forms, as the selling price provides a convenient valuation. If freight is included in these valuations in this way there is duplication between the value of exports and our calculation of freight receipts.

Export valuations of commodities exported on consignment prior to sale are not exact owing to the various circumstances accompanying such transactions. Normally, the exporter does not know what the selling price will be when goods are exported on consignment. In times of rising prices the export valuation reported is likely to be less than the selling price, and *vice versa* in times of declining prices, assuming that the export valuation really meets the definition of the valuation at the time and place of consignment for export.

Some commodities are stored outside of Canada prior to sale, giving rise to the possibility that they will be sold at a different price from that recorded on the export forms. This situation has another effect upon the balance of payments since the lag between the date when the exports are recorded and the date when the goods are paid for may involve different calendar years. Several commodities illustrate this type of situation.

(a) *Wheat and other grains.*—The quantity of Canadian wheat in store at United States lake and other ports fluctuates considerably. Normally the amount of the visible supply of Canadian grain stored in the United States is heavy during the winter months but is reduced on the opening of the season of navigation and is again increased with the movement of the new crop. There have been some important changes in the amounts stored from one year end to another. An important development in 1937 was the sharp reduction between the quantity stored in the last week of December 1936 (27·8 million bushels) and the quantity stored in October 1937 (2·5 million bushels). As a result it would appear that there were large receipts in the first part of 1937 when the wheat was sold although it was recorded as an export in 1936. A qualification of the situation described above applies to certain years, specifically 1935 and 1936. During the years when the United States demand for Canadian wheat was heavy a certain amount stored in Lake elevators and included in the total Canadian visible supply had been sold to the United States mills and was being held in the elevators in bond. Apart from this wheat "earmarked" for the U.S. mills the stocks of Canadian wheat held in the United States were in transit overseas and differed little from stocks in Canada.

(b) *Newsprint.*—Canadian newsprint companies at times store newsprint in warehouses in the United States prior to sale. Such stocks are included in their statistics of shipments. The amounts stored at the end of the year may be large after seasons when shipments have been heavy. Shipments tend to be concentrated in the season of navigation although the demand for newsprint is heaviest in the winter months.

Export operations of the Canadian branches of foreign companies and of Canadian companies with international operations also give rise to the necessity of a balance of payments adjustment. The exports are sold abroad through the selling organization of the company and frequently the Canadian offices are only reimbursed indirectly, being either supplied with operating expenses, etc., or credited in the books of the head office.

In summary, it may be said that important adjustments have to be made in the recorded figures for commodity trade for balance of payments purposes. The Bureau has been able to devise ways and means for making many such changes but there remain cases where sufficient data have not been available.

In Table 8 a summary of the merchandise trade between Canada and other countries is shown for the years from 1926 to 1937. The figures are exclusive of gold and have been adjusted for balance of payments purposes by the elimination of non-commercial items, etc.

CHAPTER X

Gold Exports and Imports

Gold exports and imports have been detached from other data relating to Canada's external trade and are shown as separate items in the balance of payments statements, on account of the peculiar importance of gold movements compared with other external trade statistics. The changes in gold valuation and marketing technique which have taken place in recent years, coupled with the fact that Canada, now one of the world's largest gold producers, has been consistently increasing her output of that precious metal, have created somewhat complex statistical problems. The Dominion Bureau of Statistics and the Bank of Canada have made a joint study of these problems in order to evolve a new and more suitable method of presenting statistics on the subject.

Trade statistics formerly divided gold exports from Canada into three classes, included respectively in the categories of (1) Non-Ferrous Metals, (2) Coin and Bullion (Canadian) and (3) Coin and Bullion (Foreign). The motive of this classification was to include domestic-mined gold under the heading of "Non-Ferrous Metals," and to include monetary gold movements by the Government and by banks under the heading of "Coin and Bullion," which was shown as a supplementary item in trade statistics. This classification was reasonably accurate up to September, 1931, but from that date it began to be dislocated by a series of unusual events including Government licensing of gold exports, changes in the value of gold, the replacement of foreign gold coin in Canadian monetary stocks by domestic bullion, and the holding of earmarked gold in Canada for the account of other countries.

The above-mentioned study by the Dominion Bureau of Statistics and the Bank of Canada took all of these factors into consideration, and resulted in making certain changes in the statistical treatment of gold movements, which are discussed in the following paragraphs.

All gold exports for the years from 1926 onwards have now been revalued on the basis of market value in Canadian dollars at the time of export. This revision has involved a large increase in the valuation of gold bullion exports in the "Coin and Bullion" category (which were priced at \$20.67 per fine ounce until April, 1934), and a substantial increase in the valuation of gold coin exports (which were reckoned at face value until April, 1936).

A new basis for distinguishing between non-monetary (or "merchandise") and monetary gold items was devised to supplant the former method of classification, which had become unsatisfactory on account of the licensing of gold exports by the Government, and which had resulted in most of Canada's domestic-mined gold being excluded from merchandise exports. The new technique classifies as monetary items all gold movements which increase or decrease the Canadian monetary gold stock. Since March, 1935, the latter has consisted of the Bank of Canada gold reserve, but before that date it included the gold reserve against Dominion notes and gold held in Canada by chartered banks (including central gold reserves). By a careful comparison of the calendar-month changes in these gold stocks and the monthly statistics of gold exports and imports, it has been possible to obtain figures for the relatively few monetary gold movements which took place. To some extent the figures so obtained are approximations, but it is believed that the margin of error is small enough to be neglected.

Considerable amounts of Canadian-mined gold were added to Canadian monetary gold stocks during the period under review, particularly in the earlier years. Since Canada is herself an important producer of the precious metal, she

does not usually require to import gold when an increase of monetary stocks is necessary. Purchases of domestic gold for this purpose, of course, involve no exchange transaction and create no international debit, but in some other respects they have effects similar to those of purchases from abroad.

In order to distinguish more readily between monetary and non-monetary gold movements, the Bank of Canada treats a purchase of domestic-mined gold for monetary stock as being equivalent to an import of monetary gold, which is then offset in their records of non-monetary gold movements by an entry showing the export of an identical amount. The Dominion Bureau of Statistics does not distinguish between monetary and non-monetary gold in the balance of payments statements, and gives only the total international debits and credits arising from gold transactions, in the statements included in this volume. However, Sections C, D and E of Table 9 show the Bank of Canada's figures for net monetary and non-monetary gold exports and purchases of domestic gold for monetary stocks.

The earmarking of gold for the account of other countries is an important development which commenced in 1936. Part of this earmarked gold is of domestic origin, sold to non-residents but not exported; and part consists of imported gold still owned by non-residents. For balance of payments purposes, export and import records must be adjusted for these items, and net changes in the amount of earmarked gold have been taken into account in calculating the net non-monetary export of gold.

The new method of classifying gold movements supplies figures for net non-monetary gold exports which, over a period of time, would correspond closely to the total Canadian output less domestic consumption in industrial arts. Net monetary gold exports or imports approximate to the net changes in monetary gold stocks as defined above.

Table 9 presents an analysis of gold movements from 1926 to 1937. Sections A and B of the table show the monthly exports and imports of gold as recorded in trade statistics, including in the export figures for 1936 and 1937 the estimated net change in holdings of earmarked gold. The figures for total annual exports and imports given in these sections are the same as the figures in the "gold" item of the balance of payments statements.

Sections C and D of Table 9 present data derived from the recent study of gold movements. They distinguish between monetary and non-monetary gold movements, and also take account of the special treatment of purchases of domestic gold for Canadian monetary stocks (which are shown in Section E).

It should be noted that the total net gold movements indicated in Sections C and D do not exactly agree in any year with the net exports shown in Sections A and B. Gold imports for commercial purposes are included in the figures for merchandise imports in the balance of payments statements and are therefore not included in B; but these items are included in calculating the net movements as shown in C and D. The value of such commercial gold imports, however, has never in any year amounted to as much as a million dollars.

Methods of estimating the value of changes in the amounts of earmarked gold also produce small differences in the figures for 1936 and 1937. The Bank of Canada has used a flat rate of valuation of \$35 per fine ounce, whereas in Section A of Table 9 the average of daily quotations in terms of Canadian dollars has been used. The net increase in Canadian holdings of earmarked gold for the account of other countries amounted to approximately 1,352,000 fine ounces in 1936 and 580,000 fine ounces in 1937.

CHAPTER XI

International Tourist Trade

The growing importance of "services" in economic life is exemplified by the tourist trade. Canada's international tourist trade has become an appreciable factor in the social and economic life of the nation. A complete discussion of the place that this international exchange of services occupies in the Canadian economy will not be attempted here. It will be examined only from the point of view of the balance of payments, in which connection it is highly significant, representing as it does from some aspects an international movement of people which is peculiar to the North American continent. The means by which this large volume of purchasing power is transferred from one nation to the other has also some unique characteristics. Interchangeability of the currencies of Canada and the United States when there are no important disparities in their exchange values is an important characteristic of the financial aspects of the tourist trade.

An examination of the possibility of estimating the volume of the expenditures of international tourists indicates various alternative methods of approach. Among these are the following:—

1. By investigating the volume of tourist expenditures in hotels, tourist houses, etc. This type of investigation might be productive under the conditions prevailing in some small European countries where the tourist trade is a highly organized industry and where expenditures are concentrated in certain places. But in Canada the diversity of the trade is one of its features. Expenditures range from those made in the most luxurious hotels to purchases of gasoline at filling stations, and from the upkeep of private estates to motor trailer camps in the wilderness. Then, too, the determination of the country of residence of the tourists would be a persistent obstruction in the way of such a method of estimation.

2. Another potential means of arriving at the expenditures would be by obtaining a statement from every tourist at the border on the return to his country of residence. It is only necessary to point out the voluminous records that would result from such a requirement and the inconveniences that would be produced in collecting it, to visualize the difficulties entailed in such an approach. Furthermore, not every tourist recalls accurately the extent of his expenditures.

3. Then, of course, there is the possible use of statistics on banking transactions to throw light on the volume of international tourist expenditures. The transfer of currency by banks in Canada to and from other countries would be closely related to tourist expenditures, although there are large currency transfers connected with railway payrolls. There would also be the various international transfers of credit for the purpose of tourist expenditures. In connection with these latter transactions, there would be the problem of identifying transfers of credit which were for tourist expenditures. There are indications that the volume of tourist payments transferred in this way is large. Moreover, it must be borne in mind that information of this kind would not reveal the extent of the expenditures of the various classes of tourists, but it would indicate the localities where expenditures were concentrated.

4. Another method, that followed by the Dominion Bureau of Statistics, is to use the detailed records of the numbers of tourists crossing the international boundaries of Canada and to calculate the total expenditures of these by means of average sample expenditures collected directly from individual tourists. This method, it will be observed, is a variation of the second method discussed above.

Its accuracy depends upon (1) the completeness of the records of the movements of tourists and (2) the representative qualities of the sample expenditures applied to the various classes of tourist. With ideal samples this method might even produce more satisfactory results than a statement of expenditures from every tourist, as many would not know accurately the extent of their expenditures and a satisfactory average based on a sample in such cases might be more accurate than a guess on the part of the tourists.

Before describing in detail the method employed by the Bureau, it may be of assistance in illustrating the movements of people concerned to outline the various ways in which persons enter or leave Canada.

1. *Motor cars*—

(a) Private passenger cars.

(b) Commercial vehicles, motor coaches, buses, trucks, etc.

2. *Railway trains*.

3. *Boats*—

(a) Trans-oceanic ships }
 (b) Coastal steamers } Regular services and special "cruises."

(c) Vessels on inland waterways.

(d) International ferries.

(e) Private yachts, cabin cruisers, etc.

4. *Aeroplanes*—regular services, chartered and privately-operated planes.

5. *Pedestrians, etc.*

There are also international bridges and tunnels providing facilities for the above.

The variety of methods of crossing the border is impressive—and the movement is further complicated by the fact that the persons crossing by these various means cross the boundary for different purposes and for periods of varying duration. Not all are tourists, even in the broad sense of the terms as used here, where tourists are considered to include all temporary visitors in countries not their permanent residence who spend money in the country visited without earning it there. This term, then, is broad enough to include casual visitors of a few hours and persons passing in transit through Canada. It does not, however, include persons crossing as immigrants or emigrants nor does it include persons crossing regularly for employment or education, as this group are more correctly considered by themselves as international commuters, for their expenditures are for the most part in the country in which they reside and not in the country in which their income originates.

A detailed description of the method now employed in estimating tourist expenditures follows:—

Tourists From Other Countries Entering Canada via the United States Boundary

A—BY MOTOR CAR

The number of automobiles entering Canada for touring purposes across the United States boundary is recorded by the Department of National Revenue of Canada. Three classes of permit are issued for touring purposes, admitting cars for periods of (1) not to exceed 48 hours, (2) not exceeding 60 days, and (3) not exceeding six months. Average expenditures for motorists entering under each of these classes of permit are obtained from questionnaire cards distributed by Canadian border officials (by United States officials since 1937) to a sample number of these motorists. The cards are returned by the United States tourists to the United States Department of Commerce which compiles the information recorded on the cards. Consideration is also given to various collateral data before the expenditures of the tourists entering Canada in this way are calculated.

B—BY RAIL AND STEAMER

Since 1936 the Canadian Immigration authorities have recorded the number of tourist entries from the United States by train and boat (exclusive of ferry). Since 1935 direct information on the expenditures of this class of tourist has been obtained on sample cards in much the same way as with automobile tourists.

Previous to 1936 the number of tourists in this class was obtained from statistics supplied by the principal railway and steamship companies as to the number of passengers ticketed from the United States to Canadian points and *vice versa*. To classify these total passenger movements into tourists according to country of residence, it was necessary to deduct immigrants, etc., and to use a ratio based on the proportion of automobile tourists after making allowance for the difference in the ratio of population to passenger cars in the two countries. The information first made available in 1936 has placed this estimate on a more satisfactory basis.

C—BY MOTOR COACH, BUS, FERRY, AEROPLANE, ETC. (Residual Estimate)

Estimates of expenditures of this group of tourists must be considered an arbitrary approximation of the residual traffic, rather than a thoroughly calculated estimate, owing to the lack of detailed statistics. The various classes of movement falling in this group will be discussed elsewhere.

Canadian Tourists Entering the United States

A—BY MOTOR CAR

Information supplied by the Department of National Revenue constitutes the basis of this estimate. The number of Canadian automobiles exported to the United States under permits for touring purposes is supplied by that Department. By means of postcard questionnaires distributed by Canadian customs officials to Canadian motorists proceeding to the United States sample data on the expenditures of these tourists were obtained and applied to the number of cars. It should be noted that only one class of permit is issued to Canadian tourists as contrasted with the three which are issued to United States tourists entering Canada.

B—BY RAIL AND STEAMER

Information on the total passenger movement supplied by the principal railways and steamship companies and the Canadian Immigration authorities is the basis for computing the number crossing by these means. The number of tourists who are residents of the United States is deducted from the totals for 1936. Prior to that year the totals were divided by the ratio already described above in connection with the United States tourists. In 1935 and 1936 sample expenditures were obtained on questionnaire cards, distributed through the co-operation of the Canadian Immigration officials.

C—BY MOTOR COACH, BUS, FERRY, AEROPLANE, ETC. (Residual Estimate)

An arbitrary approximation of the expenditures of this residual group of tourists has been made as in the case of the expenditures of the comparable group in Canada.

Overseas Tourists

A—TOURISTS ENTERING CANADA VIA OCEAN PORTS

Immigration statistics on non-immigrant arrivals at ocean ports are used as the basis for this estimate. Most of these are recorded by class of steamship

passage and average expenditures are applied. The average expenditures used in recent years have been \$1,200 for first class, \$850 for cabin and \$600 for other classes of passenger. Information has not been obtained directly from tourists in arriving at the averages. They have been taken at levels somewhat higher than the corresponding averages for Canadian tourists returning from overseas countries, as a considerable number of the latter are British or foreign born who visit their friends and relatives at home and whose expenditures are consequently assumed to be lighter than those of tourists in Canada.

B—CANADIAN TOURISTS TO OVERSEAS COUNTRIES

This estimate is based on immigration statistics on returning Canadians via ocean ports, which for the most part are available by classes of passage. Sample expenditures in the various classes are obtained from a questionnaire sent to passport applicants. For several years prior to 1937 the average expenditures used were \$1,191 for first, \$778 for cabin and \$440 for other passengers. Special calculations are made of the expenditures of groups like the Vimy Pilgrimage, when it is believed that these differ appreciably from the averages.

Chief among the obstacles in the way of more detailed statistics of the tourist trade is the limited amount of basic records of the movements of people across the border. Until more complete information is available on the numbers of persons crossing the international boundaries in appropriate classifications, it would be very difficult to proceed to refine the methods of sampling according to the various classes of expenditure. Any analysis of the international tourist trade in this way is restricted by dependence upon statistics of the number of tourists entering or leaving Canada.

The statistics that have been outlined in the above description of the method employed by the Bureau are subject to some deficiencies. For example, the movement of motor cars is not completely recorded. The Customs permits issued for foreign cars entering Canada for touring purposes and for Canadian cars exported for touring purposes do not record every motor car crossing the border. There is a special class of permit issued for cars entering Canada for other purposes, the traveller's vehicle permit. These permits are issued for cars frequently taken across the border for business or other purposes. In certain cases therefore the number of permits is no indication of the number of crossings made by the vehicles or of the number of passengers carried. Then, there are motor cars that cross the border without any permit of the types mentioned. It is possible to take a car across the border temporarily, by depositing the licence permit with the border officials. For these reasons the records of the number of motor cars crossing the border and used in calculating that group of tourist expenditures are incomplete.

Expenditures omitted because of this and other gaps are, of course, allowed for in the item of expenditures arbitrarily estimated and referred to in sections (c) above, for tourists by motor coach, bus, ferry, aeroplane, etc. The obstacle in the way of a detailed calculation of these miscellaneous expenditures is the absence of statistics recording the movements in the necessary detail. Arbitrary estimates have been made to fill these gaps pending a more intensive study of the field.

Some of these other movements included in the estimates of residual expenditures will also be pointed out here in more detail than is given above in the descriptions of the items. There is a heavy local traffic at many border points which is made up of persons crossing the international boundary for short visits of a day or less in neighbouring communities. Most of this local traffic is concentrated in some of the urban communities at the border, such as the Detroit-

Windsor area where the casual crossings are most numerous. Convenient facilities for moving between the Canadian and United States communities make the international contacts very comparable to contacts between contiguous communities in the same country. These movements are quite heavy judging from the various sources of information indicating their volume, but the per capita expenditures are not comparable to those of the classes of tourists that have been described above. But the number of these crossings is great enough to represent a substantial amount of total expenditures and may not be disregarded. Of course, some of these movements have already been included in the statistics of motor car permits but, as indicated above, not all motor cars crossing the border are represented by customs permits. Then there are the additional means of crossing employed at many of these points where ferries, tunnels and bridges exist. The convenience of such utilities makes the passage between the Canadian and American communities very simple and results in streams of pedestrians and passengers unrecorded in any of the statistical series mentioned above.

Many of these persons are habitual crossers visiting the neighbouring community for such purposes as employment, school attendance, and business or pleasure. The earnings of the first group, persons crossing for employment, are estimated and included separately in the balance of payments statement. The second group is small but the third group is the one which is now largely undetermined along with the group of more casual visitors who do not cross the border habitually.

Some indication of the size of the group of habitual crossers is given in the Border Crossing Statistics of the Immigration and Naturalization Service of the United States Department of Labor. Guides to the volume of crossings are given by various statistical compilations. The Immigration authorities in both the United States and Canada issue statistics on the gross movements across the international boundary. By deducting the number of tourists who have been included among those crossing by automobile, rail and steamer, etc., the approximate number of the residual group of local crossers may be ascertained. However, division of the gross movement according to country of residence of the crossers is not considered sufficiently accurate to provide a satisfactory statistical measurement of the residual movement of tourists. The United States Immigration Service made a sample count of residents of Canada going to the United States on certain days during the summer of 1937, showing the means of transportation. Unfortunately this sample did not include as many days as would be desirable. The Canadian Immigration authorities are now, in statistics of the total inward movement from the United States, providing more information on the methods of transportation. When they become more developed, these new departures in the collection of border crossing statistics may contribute sufficient working data upon which to base more reliable estimates of the international expenditures involved.

Included in the residual estimates are the expenditures of "cruise" passengers from vessels touching at Canadian seaports and the expenditures of persons from privately owned aeroplanes, as well as those travelling by regular air services.

Trends in tourist expenditures affecting the Canadian balance of payments are illustrated in Statement X. Perhaps the most outstanding feature of the relationship between the international tourist traffic and the balance of payments is the consistent appearance of a net balance in favour of Canada each year, which has become an important item of Canada's revenue from external sources and which is the most important "invisible" revenue in the current account.

X. ESTIMATED TOURIST EXPENDITURES, 1924-1937

(In millions of dollars)

Year	Expenditures in Canada of Tourists from Foreign Countries (Credits)	Expenditures of Canadian Tourists in Foreign Countries (Debits)	Net Credits
1924.....	173.0	85.0	88.0
1925.....	193.2	86.2	107.0
1926.....	201.2	98.7	102.5
1927.....	238.5	108.7	129.8
1928.....	275.2	107.5	167.7
1929.....	309.4	121.6	187.8
1930.....	279.2	100.4	178.8
1931.....	250.8	76.4	174.4
1932.....	212.4	57.4	155.0
1933.....	117.1	50.9	66.2
1934.....	146.0	63.6	82.4
1935.....	214.8	95.6	119.2
1936.....	251.3	110.4	140.9
1937.....	294.7	124.4	170.3

When compared with the fluctuations in the balances in the commodity trade during the same period, the balances of credits from the tourist trade appear relatively stable. During these years the commodity trade balances have varied from substantial debit balances to large credit balances, the largest of the latter appearing in 1936 when the balance on merchandise account, exclusive of gold, was \$322 million. In contrast, the credit balance from the tourist trade, in the years between 1924 and 1937, has never been below the \$66.2 million reached in 1933 or higher than the \$187.8 million attained in 1929. This peak in 1929 was only reached after a consistent and rapid growth and the volume of net credits was well maintained until the sudden contraction in 1933 to the lowest level reached during the period. The subsequent growth in net credits up to 1937 has again been steady, although the former high level has not yet been reached.

When the movements in the two groups of expenditures are observed, some light is thrown upon the changes in the net credits earned. The largest and sharpest fluctuations have been in the expenditures in Canada by tourists from other countries. The lowest level of these was reached in 1933 when expenditures in Canada totalled only \$117.1 million or about 37 per cent of the \$309.4 million spent in Canada in 1929 by tourists from other countries. The range between the high and low of Canadian expenditures in other countries has not been quite so wide, expenditures in 1933 being about 42 per cent of expenditures in 1929. Furthermore, in the expenditures in Canada, there was the very sharp contraction from \$212.4 million in 1932 to \$117.1 million in 1933, while in the Canadian expenditures in other countries there was the more moderate decline in that year from \$57.4 million to \$50.9 million, most of the decline having occurred in the earlier years of the depression.

An important consequence of these fluctuations was that the credit balance from the tourist trade was well maintained in the years 1930, 1931 and 1932, while other income in Canada was contracting. There can be little doubt that changes in the national income in the United States have an important bearing upon tourist expenditures in Canada. Whatever relationship there is, however, appears to be rather complex, as consideration must be given to the possibility of variations in the elasticity of demand for the services connected with tourism among the different income groups, under different circumstances. In any case, the contraction in the national income of the United States between 1932 and 1933, as revealed by estimates in that country, was small compared with the

sudden slump in American tourist expenditures in Canada in 1933. It should be noted, however, that the decline in the amount of expenditures in terms of United States dollars was not so great, the difference between the expenditures in terms of Canadian and United States dollars in 1932 being estimated at about \$18 million. The prevalence of a substantial premium on United States dollars throughout 1932 would in itself provide a stimulus towards the maintenance of U.S. expenditures in Canada, in that year, while the premium was much reduced in 1933 during the months when the tourist trade was concentrated.

In comparing the course of tourist expenditures in Canada throughout the period with available statistics on the national income of the United States, it is interesting to observe that in each year between 1929 and 1937 the changes in the two series were in the same direction. But, as has been already pointed out above, the changes, although always in similar direction, have not been at all in similar proportions. This is to be expected when all of the complex influences affecting the demand for tourist services are considered. It seems reasonable to conclude, however, that the Canadian tourist trade is closely related to changes in United States income and that, on the basis of past experience, it would be only in very unusual circumstances that United States tourist expenditures in Canada would move in a contrary direction to the total income of the United States.

The fluctuations in the expenditures of Canadian tourists in other countries, of course, also reflect variations in Canadian income. But the volumes of these expenditures in 1932, 1933 and 1934 indicate that there is a lower level beyond which such expenditures are not likely to drop, even under very adverse circumstances. These three years mark the ebb in Canadian income in recent years and, in addition to the low level of income, there was the influence of the high premium on United States funds in Canada upon the volume of Canadian expenditures in the United States throughout 1932 and the winter and early summer of 1933. Although the depreciation of sterling during this period would serve to stimulate Canadian expenditures in the British Isles, this contra-factor is of less significance than the premium on United States funds, as the largest proportion of Canadian expenditures is in the United States. When the force of these adverse factors in reducing Canadian expenditures in the United States is considered, there seems reason to believe that the expenditures in those years must have been about their lowest level. If this is the case, this indicates the limits to the flexibility of Canadian tourist expenditures in other countries.

As United States expenditures in Canada constitute the bulk of the total expenditures in Canada of tourists from other countries, it is of interest to observe the relationship between these and the total expenditures of American tourists outside of the United States. In Statement XI there is compared the volume of total expenditures of American tourists abroad, between 1926 and 1937, with the expenditures of American tourists in Canada, showing the percentage the latter expenditures were of the total in each year. It should be noted that expenditures in Canada are expressed in Canadian dollars and the percentages will therefore be influenced by exchange fluctuations, especially in 1932.

As the statement shows, there have been wide fluctuations not only in the amounts spent but also in the proportion of total American expenditures in Canada. The proportion spent in Canada has been less subject to variation, however, and the widest spread revealed is between the proportion spent in Canada in 1926 (29.53 per cent) and the percentage spent in 1935 (approximately 50 per cent) while the volume of expenditures, both the total and the amount spent in Canada, declined from the peak in 1929 to the lowest level in 1933. In each case, expenditures in 1933 were about 36 per cent of the 1929 level. The recovery in expenditures since 1933 has been more marked in the expenditures

in Canada than in the total expenditures abroad, with the result that larger proportions of the total expenditures were spent in Canada in 1935, 1936 and 1937 than in any previous year in the period covered by the statement. Thus, while the expenditures in Canada in 1937, \$278 million, were exceeded only by the \$296 million spent in 1929, the total expenditures of Americans abroad in 1937 were still far below the level they occupied in the five years shown before 1931.

The estimated distribution of tourist expenditures between Canada and other countries for the period 1926 to 1937 is shown in Table 10.

XI. ESTIMATED EXPENDITURES OF UNITED STATES TOURISTS IN CANADA
AND TOTAL EXPENDITURES OF UNITED STATES TOURISTS ABROAD,

1926-1937

(Millions of dollars)

Year	Total Expendi- tures ⁽¹⁾ of American Tourists Abroad	Expendi- tures ⁽²⁾ of American Tourists in Canada	Expenditures in Canada Per Cent of Total Expenditures Abroad
	(U.S. dollars)	(Canadian dollars)	%
1926	640	189	29.53
1927	681	224	32.89
1928	715	262	36.64
1929	821	296	36.05
1930	762	266	34.91
1931	568	239	42.08
1932	446	202	45.29
1933	292	109	37.33
1934	331	136	41.09
1935	409	205	50.12
1936	497	238	47.89
1937	594	278	46.80

(1) United States Department of Commerce, Bureau of Foreign and Domestic Commerce; The Balance of International Payments of the United States, 1937. (2) Dominion Bureau of Statistics.

CHAPTER XII

Freight and Ocean Shipping Transactions

The study of the payments connected with international freight services has the primary purpose of taking account of transactions which are not already included elsewhere in the Balance of Payments statement, as, for example, in the statistics of the commodity and tourist trades. Therefore it does not purport to measure separately the complete international exchange of transportation services, since these are partially covered in the value of commodities exported or in tourist expenditures. With the exception of a considerable amount of the inland freight on grains, flour and milled products exported from Canada, however, Canadian trade statistics include less freight charges than the statistics of many other countries.

Accordingly the procedure of estimating international payments for freight services must be closely related to the principles followed in the valuations employed in the official statistics of exports and imports. In Canada imports are valued at the fair market value in the country from which the merchandise was exported directly to Canada. Fair market value is interpreted as the price of the goods when sold for home consumption in the principal markets of the country in which they are sold, so long as this price is not less than the cost of production at the time of shipment plus a reasonable advance for cost of selling and profit. This basis of valuation, sometimes referred to as the "F.O.B."* value, is in direct contrast to the practice in many countries of employing the "C.I.F."* basis, which values the goods at the point of entry into (or export from) the country, the costs of freight, insurance, etc., to the national boundary being included. Canadian exports also are valued on the f.o.b. principle, that is, at the actual cost or value at the time of exportation at the points in Canada from which the goods were consigned for export. Consequently, with the important exceptions already referred to, it is necessary to calculate the earnings of Canadian carriers in transporting Canadian exports to the boundary or ocean ports and the payments to non-Canadian carriers for their services in carrying imports to the point of entry into Canada.

Calculations of freight payments have a value quite apart from the use to which they are put in the balance of international payments.

- (1) They provide a more accurate picture of the total values of exports and imports. Thus, Canadian imports are higher by the amount of freight paid thereon to United States railroads and to British and foreign vessels which carry the goods to our ports and boundaries. These expenses are part of the total cost price. For the same reason, Canadian exports are higher by the amount of freight earned by Canadian railways and lake steamers, etc., which carry the goods from the point of origin to the boundary or ports, and by the revenues earned by Canadian vessels carrying exports across the ocean.

Actually, the addition of the estimated freight costs to the recorded values indicates that Canada's imports are under-valued to a greater extent than her exports.

- (2) The estimates of freight received and paid may be applied to individual commodities with very illuminating results. For example, the recorded value of some 11 million tons of coal imported from the United States

*This refers to the official as distinct from the commercial use of this term.

in 1936 was approximately 26 million dollars. This figure represents the price at the mine or point of original shipment. If we add to this the cost of freight to the Canadian boundary, an expense ultimately paid by the Canadian importer, the cost of coal imported is increased to over 51 million dollars, or about twice the import value.

- (3) Finally, the estimates of "invisible" freight imports and exports can be used to convert Canadian trade figures to a c.i.f. basis for more accurate comparison with the trade returns of other countries. If this were done, the total trade of Canada would be represented as somewhat greater than the present figures show. Without this adjustment, there frequently appear discrepancies between the trade statistics of different countries relating to the same inter-area trade, i.e., between Canada and other countries.

ESTIMATED "C.I.F." VALUE OF IMPORTS OF MERCHANDISE INTO CANADA
FOR CONSUMPTION, CALENDAR YEAR 1936

(In Millions of Dollars)

Customs Value of Merchandise Imports	635.2
Payments to United States Railways.....	45.0
Payments for Inward Ocean Freight via Canadian or United States Ports	40.0
Payments for Other Transportation Services, Insurance, Com- missions, etc (say).....	10.0
Approximate Value of Merchandise Imports "C.I.F." Canadian Border	730.2

DESCRIPTION OF METHODS OF CALCULATION OF FREIGHT PAY-
MENTS AND RECEIPTS

Freight payments and receipts, so far as Canada is concerned, fall into the following categories:—

Freight Payments made by Canada

- (a) Freight earned by United States railroads carrying export goods to the Canadian boundary. This item was formerly the most important of the "invisible" freight calculations, when Canadian imports originating in the United States were particularly large.
- (b) Freight earned by British and foreign vessels carrying Canadian imports from overseas and the expenditures in other countries on account of Canadian vessels.
- (c) Ocean freight, paid on imports coming into Canada via the United States. Railroad freight expenses in the United States on these imports are, of course, already included under (a).

These three constitute the "payments" or debit items.

Freight Receipts by Canada

- (a) Freight earned by Canadian railways, etc., carrying exports to the ports or boundary.
- (b) Freight earned by Canadian railways on the transit traffic, i.e., that which is received from and delivered to foreign connections. For example, the Canadian National Railway moves several million tons of American commodities in bond from the St. Clair River points through Ontario to Buffalo or on through Quebec to Montreal. The earnings on this traffic constitute an invisible freight receipt (export) and, while not analogous with the other categories listed above, it is convenient to include it under this section of the balance of payments.
- (c) Freight earned by Canadian vessels carrying exports overseas and the expenditures in Canada on account of British and foreign vessels.

These three constitute the "receipts" or credit items.

Freight Paid to United States Carriers on Imports from the United States —Payments or Debits

The Annual Summary of Monthly Traffic Reports, issued by the Bureau of Statistics, lists the "tonnage of revenue freight received from foreign connections destined to Canadian points" (9,201,566 tons in 1936). This total, however, refers only to revenue freight, and will not include the considerable quantity of coal and some less important commodities which the Canadian railways import for their own use from the United States.

As there also seemed to be the possibility that the import valuations might include some United States rail freight charges when coal was purchased at or near the border, it was considered preferable to treat coal imports independently of the imports of other commodities from the United States. The freight paid to United States railways on imports from the United States has been divided, therefore, into:

- (a) Freight on Non-coal Imports;
- (b) Freight on Coal Imports.

RAIL FREIGHT ON NON-COAL IMPORTS

In the calculation of this item, it is assumed that the tonnage of non-coal revenue freight received from foreign connections represents the total imports via land from the United States. This is not strictly true. Some overseas imports at the Atlantic and St. Lawrence ports, etc., are included, but the proportion is sufficiently small to be neglected (say 5 per cent). The next step is to compute a weighted average freight rate to be applied to the tonnage of non-coal imports from the United States in order to arrive at the freight costs. This method of estimate is more likely to yield satisfactory results than the more normal procedure of taking an estimated percentage of the *value* of imports as the probable cost of freight because of the fact that fluctuations in railway rates are less frequent than alterations of prices.

To compute an average freight rate for the years prior to 1936, therefore, a calculation has been made from figures relating to freight earned by all United States railroads on different commodities, published by the Inter-State Commerce Commission, relating to 1929. Thus, by dividing the "tonnage of revenue freight originated" into the freight revenue—for each of the more important commodities entering into the Canadian import trade—we arrive at a freight earned per ton for the "average haul." The rates so obtained apply to 80 per cent of the non-coal freight actually imported into Canada from United States by rail in 1929. The weighted average was \$5.48 per ton and may be applied to the total tonnage imported if we assume that the "average haul" for each commodity on the United States railroads corresponds to the average haul for that commodity to the Canadian boundary—and it is believed this assumption is reasonably close to the mark. However, the average rate has been adjusted downward for the following reasons:

- (1) Import tonnage from United States as recorded above is too high because of the inclusion of some ocean imports already referred to.
- (2) Some Canadian imports from United States are bought from wholesalers at lake ports or boundary points at a price which includes freight.

In order to make allowance for these facts, the average rate per ton is arbitrarily reduced to \$5. Freight paid on 3,986,398 tons of non-coal imports in 1936 is, therefore, estimated at \$19,900,000.

As a check on this indirect method of calculating freight payments by means of an average rate, more direct information was obtained from the Canadian railways on the earnings in 1936 of United States and Mexican carriers on commodities loaded on their lines in the United States and Mexico and destined to points in Canada. These figures, supplied by the Canadian railways, include payments to United States railways on coal carried by all-rail routes and consequently, do not compare directly with the estimate of freight on non-coal imports described above. But when the estimate of earnings of United States railways on coal imported into Canada by lake vessels, which is described elsewhere, is added, along with an estimate of the earnings on other commodities imported to Canada by lake vessels, an amount comparable to the indirect estimate of the total freight paid to United States railways on imports from the United States is obtained. The total payments calculated directly in this way were about \$44 million for 1936 compared with the amount estimated indirectly at \$45 million. This agreement between the results of the two methods is a valuable confirmation of the validity of the method used in calculating the payments to United States railroads for the transportation of non-coal imports for the years 1926-1935.

It should be noted, however, that data obtained for 1937 from the railways indicated smaller payments than the amount calculated for that year on the basis of the average rate. The information obtained directly from the railways has been used in the freight item for 1937 as is described later.

FREIGHT PAID ON COAL IMPORTED FROM THE UNITED STATES

Freight paid on coal cannot be calculated from the traffic reports as the tonnage of coal appearing in these reports as "revenue freight received from foreign connections destined to Canadian points" does not include coal imported by the Canadian railways for their own use. The original method adopted of estimating the freight on coal relies upon the different valuations represented by the United States statistics of coal exports to Canada and the Canadian import statistics. The former statistics value the coal at the boundary or ports of export and, therefore, include the United States freight charges while the Canadian statistics value the coal at the point of original shipment in the United States. The difference between the Canadian and United States statistics should, therefore, be a measure of the freight in the United States.

A factor that favoured the use of this method was the possibility that some importations might be valued in the Canadian statistics at a valuation that included some United States freight when purchased from a wholesaler at a point near the border. There has been reason to question the results of this method when applied to coal imports in some of the more recent years. An analysis of the average freight rates calculated per ton on the basis of trade statistics shows a sudden drop in the cost for anthracite in 1930 which cannot be explained by any change in quoted rail rates. An examination of the value of coal per ton according to the Canadian import statistics from 1926-1936 definitely shows that the sudden change in the rates resulting from the method does not lie in any change in the method of quoting import values. The import values per ton are close approximations of the average mine price for each year.

Because of the doubtful results for some years, an investigation was made into the freight charges connected with the importation of coal into Canada in the period between 1930 and 1936. As a preliminary, it was necessary to determine definitely what price the Canadian import statistics represent. Inquiry confirmed the principle that the import values approximate the mine prices very closely. The problem was, therefore, reduced to a determination of rates to be applied to certain tonnages. But to arrive at suitable rates it was necessary to know the tonnages of anthracite and bituminous coal carried by all-rail routes

and by lake and river boats separately. Further analysis was then required to ascertain the points or ports to which the coal was carried by the American railroads and the sources of such tonnage. A description of the detailed study of coal imports used in revising payments for freight on coal imported from the United States from 1930 to 1936 follows.

Coal Imported via Lake and River Ports

Most of the coal imported by these routes is bituminous. In 1936 the tonnage of coal imported into Canada from United States Lake Erie ports was 6,834,960. Of this total 1,985,755 tons were definitely Pennsylvania coal and 900,000 tons definitely Southern and the remaining 3,949,205 tons were partly from these two regions, as well as from other regions. Average rates were, therefore, calculated to suit as closely as possible these three groups of tonnage, as the rail rates to United States lake ports differ according to the geographical origin of the coal. Although there was no source of information discovered which showed the detailed movements of coal from the mines to United States lake ports for export to Canada, it was possible, from information on the tonnages of coal carried to lake ports from the different producing regions obtained from Savard's Annual and with rates supplied by the Dominion Fuel Board, to arrive at weighted average rates for these three categories: (1) Pennsylvania Coal, (2) Southern Coal, (3) All Coal.

XII.—TONNAGE AND RATES TO LAKE ERIE PORTS

(PENNSYLVANIA COAL)

Origin	Tonnage to Lake Erie	Freight Rate	Freight Charges
		\$	\$
Freeport.....	1,358,765	1.46	2,216,112
Butten-Mercer.....	159,120	1.46	
Meyersdale.....	1,895	1.73	3,27 ⁸
Pittsburgh.....	6,246,839	1.46	9,120,385
Clearfield.....	1,310,653	1.73	2,267,430
Connellsville.....	1,636,647	1.54	2,520,436
	10,713,919		16,127,641

Weighted average rate for Pennsylvania Coal \$1.51

(SOUTHERN COAL)

Origin	Tonnage to Lake Erie	Freight Rate	Freight Charges
		\$	\$
Kentucky.....	8,514,304	1.81	15,410,890
Virginia.....	341,916	1.96	670,155
Tennessee.....	196,406	1.81	355,495
	9,052,626		16,436,540

Weighted average rate for Southern Coal \$1.82

TONNAGE AND RATES TO LAKE ERIE PORTS—(Cont'd)

(ALL COAL)

Origin	Tonnage to Lake Erie	Freight Rate	Freight Charges
		\$	\$
Ohio—No. 8.....	2,024,942	1.43	3,388,820
Cambridge.....	237,372	1.43	
Hocking.....	104,343	1.43	
Middle.....	3,147	1.43	
Freeport.....	1,358,765	1.46	2,216,112
Buften-Mercer.....	159,120	1.46	
Meyersdale.....	1,895	1.73	3,278
Pittsburgh.....	6,246,839	1.46	9,120,385
Clearfield.....	1,310,653	1.73	2,267,430
Connellsville.....	1,636,647	1.54	2,520,436
Moundsville.....	312,305	1.46	455,965
Fairmont.....	1,128,231	1.66	1,872,863
Cumberland, Piedmont.....	45,014	1.83	82,376
Kanawha.....	7,643,889	1.81	13,835,439
Thacker-Kenova.....	2,644,744	1.81	4,786,986
New River.....	2,456,377	1.96	4,814,499
Pocahontas.....	7,643,676	1.96	14,981,605
Kentucky.....	8,514,304	1.81	15,410,890
Virginia.....	341,916	1.96	670,155
Tennessee.....	196,406	1.81	355,495
	44,010,585		76,782,734

Weighted Average Rate for All Coal to Lake Erie Ports: \$1.74 plus,—say \$1.75.

The weighted average rates obtained in this way may not, of course, be the exact ones to apply to the tonnages destined to Canada since it is impossible to know how much coal from each sub-region reached Canada. Obviously, however, it is for just that reason that the weighted average must be used.

As an additional check on rates the third section of statement XII was constructed since the tonnage of coal imported from United States Lake Erie ports, which is definitely traceable as Pennsylvania and Southern coal, does not include all the producing centres in these areas, and since coal comes from other centres in these areas, a more comprehensive list of points of origin in the Pennsylvanian and Southern fields is included in the third section. Points of origin in other areas are also included.

In addition to the basic freight rates computed above, there is an emergency addition to the rate to be considered. During part of 1936 this addition was 15 cents per ton, and then was reduced to 10 cents per ton. Slightly more than half the tonnage to the lakes was subject to the 10 cents addition. This item is included, therefore, at a flat rate of 12 cents. Furthermore, there is an off-loading charge of 8 cents per ton. There are other charges for such things as switching, but no information on them is available. In any case, they are not of great importance.

The resulting Canadian payments to United States railroads for the transportation of coal from the mines to Lake Erie ports are shown in statement XIII.

XIII.—RAIL CHARGES TO LAKE ERIE PORTS ON COAL FROM UNITED STATES

Origin	Tonnage	Rate*	Charges
		\$	\$
Pennsylvania.....	1,985,755	1.71	3,395,641
Southern.....	900,000	2.02	1,818,000
All Other†.....	3,949,205	1.95	7,700,950
	6,834,960		12,914,591

* Rate includes 12 cent average for emergency addition and 8 cent off-loading charge.

† "All Other" includes some Pennsylvania and Southern coal.

United States ports on Lake Ontario exported, in 1936, an estimated 759,333 tons of coal to Canada. The rail rates to these ports from the mines average about \$1.75. With the additions and charges the average rate becomes \$1.95 and the resulting estimate of the Canadian payments to United States railways for the transportation of this coal to United States ports on Lake Ontario is \$1,480,699.

Total Canadian payments to United States railroads for the transportation of coal to all United States lake ports, therefore, totalled \$14,395,290 in 1936 as calculated below.

Rail Payments on Coal to United States Lake Erie Ports....	\$12,914,591
Rail Payments on Coal to United States Lake Ontario Ports..	1,480,699
Total Payments	\$14,395,290

There still remains the necessity of estimating the amount of Canadian payments to United States vessels for the transportation of coal from United States lake ports to Canadian lake and river ports. Although some rates were available, the tonnages carried by United States vessels were not available. Consequently, it was necessary to estimate this tonnage at 10 per cent of the total, or 683,496 tons. On this at an average rate of 35 cents a ton the freight charges would be \$239,213. As the amount involved is small this estimate is used until more exact data are available.

The total Canadian payments to United States carriers for coal imported via the Great Lakes therefore amount to \$14,634,503, as below.

Payments on Transportation to United States Lake Ports....	\$14,395,290
Payments on Transportation from United States Lake Ports..	239,213
Total Payments to United States Carriers.....	\$14,634,503

All-Rail Coal

Of the total coal recorded as imported from the United States in 1936 7,594,293 tons have been treated as lake traffic. There remains, then, the coal imported by all-rail routes or by sea. Of the latter, there is relatively little. Exact information is not available, but evidence points to not more than 125,000 tons having entered by ocean routes. As coal is frequently landed in Canada and left "in bond" for some time, and consequently not recorded as an import immediately, it is preferable, for the purpose of the balance of payments, to use the statistics on coal movements published in "Coal and Coke Statistics for Canada."

All-rail coal is, therefore, estimated as follows:—

	Anthracite (Tons)	Bituminous (Tons)
Total imports from United States.....	1,685,848	10,046,874
Total via Lake.....		*7,594,293
Total via Ocean.....	**65,000	**60,000
Total All-Rail.....	1,620,848	2,392,581

* Erie and Ontario.

** Estimated.

To secure a dependable single average rate for all-rail coal is extremely difficult. There are different rates for different sizes of anthracite, and the quality of bituminous coal may affect the rate charged. Furthermore, there is no method of determining the tonnage carried by rail to particular border points. Finally, all-rail coal rates are "through" rates; none are quoted to the points where the Canadian roads take up the haulage.

An attempt to construct average rates for anthracite and bituminous coal was abandoned because of the difficulties referred to above. However, information was received from one of the Canadian railways regarding the average rates per ton paid to United States railroads on coal from the United States to Canada for the month of December, 1936. Although the average rates on anthracite and bituminous coal obtained in this way may not exactly represent the payments on coal imported by other Canadian railways, it was considered preferable to rely upon this exact information for part of the tonnage rather than to use arbitrarily-constructed average rates for the whole tonnage.

Payments to United States railroads on coal imported to Canada by all-rail routes are estimated as \$10,471,574 in 1936, as below.

Anthracite, 1,620,848 tons at \$2·568 per ton	\$ 4,162,338
Bituminous, 2,392,581 tons at \$2·637 per ton.....	6,309,236
Total	\$10,471,574

When the payments to United States carriers on coal imported to Canada from United States lake ports are added, the total Canadian payments come to \$25,106,077.

Payments on All-Rail Coal	\$10,471,574
Payments on Coal via Lake Ports	14,634,503
Total Payments by Canada	\$25,106,077

These total payments are distributed between anthracite and bituminous, as follows:

Anthracite	\$ 4,162,338
Bituminous	20,943,739
Total	\$25,106,077

Both of these amounts approximate the estimates for 1936 obtained by the old method of using the differences between the United States and Canadian customs values. But the analysis of the effective rates per ton in the earlier years, as has already been pointed out, indicated that the old method did not yield satisfactory estimates of the freight on anthracite from 1930 onwards. It is believed that the early estimates of the freight on bituminous coal during the whole period are not seriously in error but in the case of anthracite, it is believed that an application of the rate of \$2·568 per ton to the tonnage each year gives a better estimate from 1930 onwards.

Revised estimates of the freight payments on anthracite from 1930 to 1936 are shown in the statement that follows:

XIV.—ESTIMATED PAYMENTS BY CANADA TO THE UNITED STATES ON COAL IMPORTS
(In Millions of Dollars)

Year	Anthracite	Bituminous	Total
1930.....	6.6	24.6	31.2
1931.....	5.7	22.7	28.4
1932.....	4.4	20.9	25.3
1933.....	3.6	20.6	24.2
1934.....	4.5	24.2	28.7
1935.....	4.3	17.7	22.0
1936.....	4.2	20.9	25.1

Besides using it to revise payments on anthracite back to 1930, the new method of estimating payments to the United States on coal imports has been adopted for 1936 and is being employed with some modifications in the estimation of these payments in subsequent years.

These modifications in method are a consequence of the use of the data furnished by the Canadian railways on the earnings of United States railways on freight traffic originating in the United States or Mexico and entering Canada by rail, referred to in (a) above (Rail Freight on Non-Coal Imports).

Method Employed in Estimating Payments to United States Carriers on Imports, 1937

With the adoption of the new method, the payments by Canada to United States railways on all commodities moving into Canada by rail are covered by record. For that reason it no longer is necessary to estimate the payments on coal entering Canada by all-rail routes on the basis of average rates. Freight on imports by lake vessel must be estimated. The freight on coal entering Canada by lake vessel is estimated in the general manner described above.

Freight paid to United States railways on iron ore imported into Canada by lake vessel is calculated in much the same manner as the freight on the coal. The Lake Carriers' Association Report, 1937, shows the tonnage of iron ore shipped from United States lake ports to Canada as 1,268,777 gross tons, of which 417,547 was to Sault Ste. Marie, 153,349 to Port Colborne and 697,881 to Hamilton.

United States rail rates on iron ore from the different mines to the lake ports varied principally from 72 cents to 81 cents with an increase of 6 cents per gross ton effective from November 15, 1937. An average rate of 76 cents per ton has been taken as representative of the average on the tonnage shipped to Canada, as the exact origins of the ore shipped to Canada are not known. On this basis the payments to United States railways on iron ore shipped to Canada by lake vessel are estimated as \$964,271 (1,268,777 gross tons at 76 cents). Most, if not all, of this ore is carried on Canadian vessels.

To arrive at the tonnage of commodities other than coal and iron ore entering Canada by lake vessel, an analysis of the "Report on Waterborne Commerce of the United States, Department of Commerce" and other data for 1935 and 1936 was made. This indicated that more than 5 per cent of the total tonnage of merchandise shipped to Canada by lake vessels was made up of commodities other than coal and iron ore.

In 1937 the tonnage of imports by lake vessel was made up as follows, the assumption being made that the percentage mentioned above continued to be representative. Since in 1936 the proportion of "other commodities" was

more than 5 per cent of the total, it is probable that the tonnage shown below for 1937 is conservative.

	(Short Tons)
Coal—Lake Ontario.. . . .	847,886
Lake Erie.. . . .	8,478,859
Iron Ore (as recorded in short tons in imports, amount by rail negligible).. . . .	1,416,015
Therefore, 95 per cent of total.. . . .	10,742,760
Total Traffic (100 per cent).. . . .	11,308,170
"Other Freight" tonnage (5 per cent).. . . .	565,410

With the application of the \$5 per ton rate used formerly in the calculation of freight payments to United States railways on non-coal freight, the following is the resulting estimate of the freight payments on other freight: \$2,827,500 (565,410 tons at \$5 per ton).

Total earnings of United States railways on goods received at the Canadian border by Canadian railways have been reported by the latter at \$29,922,000 for 1937.

Total payments to United States carriers for the transportation of imports entering Canada via the United States border are accordingly estimated at \$51.2 million for 1937, on totalling the various items as below.

Freight Payments on:	
Imports by all-rail routes.. . . .	\$29,922,000
Imports by lake vessel:	
Coal.. . . .	17,492,000*
Iron Ore.. . . .	964,000
Other Freight.. . . .	2,827,500
	<u>\$51,205,500</u>

Payments to United States carriers on petroleum entering Canada by pipe line are not included above, as any international transfers in connection with these have been included among the transactions reported to the Internal Trade Branch in the inquiry into "Movements of Funds" of the companies concerned and included elsewhere in the balance of payments statement.

Payments to United States carriers on freight entering Canada by motor transport have not been estimated, owing to the lack of data available on this traffic. Some such payments have been included in the "Movements of Funds" data mentioned above, in those cases where the transportation services in the United States were provided by the trucking operations of parent companies in the United States furnishing their Canadian branches and subsidiaries with materials and parts.

When the payments to United States railways for non-coal freight in 1937 are calculated on the basis of the old methods, the method described in estimating payments on coal in 1935 and 1936 and payments on other freight 1925-1936, a larger total than the \$51.2 million estimated above is obtained. On the old basis the total payments are estimated at \$56.6 million made up as below.

Coal.. . . .	\$30.3 million (Estimated by new method)
Non-Coal.. . . .	26.3 million (Estimated by old method)

\$56.6 million

This indicates less close agreement in the two estimates in 1937 than was found in 1936. The payments of \$26.3 million on non-coal freight compare with the \$20.9 million obtained by deducting total freight paid on coal from the total payments derived from the new method of \$51.2 million to United States carriers on all imports over the boundary.

* Rail freight calculated at \$1.83 per ton. Total payments also include estimated payments to United States lake vessels.

**XV. ESTIMATED FREIGHT PAID TO UNITED STATES CARRIERS ON COAL
AND NON-COAL IMPORTS**
(Millions of dollars)

Year	Coal			Non-Coal	Total
	Anthracite	Bituminous	Total		
1926.....	10.3	26.8	37.1	37.9	75.0
1927.....	8.0	26.6	34.6	39.2	73.8
1928.....	9.0	25.2	34.2	47.0	81.2
1929.....	9.7	28.3	38.0	52.7	90.7
1930.....	6.6	24.6	31.2	39.9	71.1
1931.....	5.7	22.7	28.4	26.2	54.6
1932.....	4.4	20.9	25.3	16.6	41.9
1933.....	3.6	20.6	24.2	14.8	39.0
1934.....	4.5	24.2	28.7	18.3	47.0
1935.....	4.3	17.7	22.0	19.1	41.1
1936.....	4.2	20.9	25.1	19.9	45.0
1937.....	5.0	25.3	30.3	20.9 ¹	51.2 ²

¹By deduction—See text.²Total—New method.

Receipts or Credits on Inland Freight

EARNINGS OF CANADIAN RAILWAYS, ETC. ON EXPORTS

Canadian commodities exported from Canada are valued in the Canadian Trade Statistics as at the point of original shipment in Canada ("at points in Canada whence consigned for export"). It is necessary, therefore, to calculate the freight earned by Canadian railways and other carriers in transporting commodities to the boundary or ocean ports of exit. There are, however, some important exceptions to the general rule that exports are valued at the point of origin. Some commodities exported are sold f.o.b. the destination and the customs valuation in such cases may record the selling price and, consequently, include the freight to the point of destination abroad. In the trade in flour and grain products, there is the practice of including in the export value the freight to the ports of exit and sometimes to the foreign destination. When the latter is the case, some allowance should be made for freight credited to Canada in the export valuations but actually earned by British and foreign vessels carrying the exports overseas. The extent of double counting arising from these exceptional cases is not known.

Caution must also be exercised in applying the term "point of original shipment" or "point whence consigned for export." For example, grain shipped from Port Arthur and Fort William via Buffalo has Port Arthur or Fort William as the point of original shipment; but in the case of grain shipped from these ports to Montreal and subsequently exported, Montreal becomes the point of original shipment for customs purposes, the freight from the "head-of-the-lakes" to Montreal being included in the values shown in the invoices from which trade returns are compiled. In the first case, grain carried from Port Arthur in Canadian ships to Buffalo earns inland freight which is not included in customs figures, and in the second case, the inland freight to Montreal is already included in the customs valuation of exports. Freight receipts for grains and flour and other milled products must, therefore, be treated separately from the main calculations. With the above principles for guidance, the following methods were adopted to estimate receipts not already included in customs valuations.

**FREIGHT EARNED BY CANADIAN RAILWAYS CARRYING CANADIAN EXPORTS
(EXCLUSIVE OF GRAIN, FLOUR AND MILLED PRODUCTS)**

The Summary of Monthly Traffic Reports compiled by the Bureau shows, (a) the volume of railway freight delivered to foreign connections (ports of exit or boundary points), and (b) railway freight received from foreign connections

destined for foreign points (this is the in-transit traffic which also brings revenue into Canada, the estimate of which must again be a matter of separate calculation for the reasons explained below). The actual *Canadian* export traffic handled by rail is shown by the difference between (a) and (b).

The figures for wheat and grains, flour and other milled products must be deducted from these figures, being the subject of a special calculation. For the remaining tonnage of Canadian exports, it is assumed that the freight paid thereon from the point of original shipment to the port or boundary is not included in the respective export valuation. Extensive inquiries amongst exporters of wood, wood-pulp, newsprint, logs, timber, paper, etc. (which general classification provided a large proportion of the total tonnage of direct export of Canadian goods) demonstrated conclusively that the invariable custom is to value the exports for customs purposes as at the point of original shipment which, in most cases, was the same thing as the f.o.b. mill value. The initial assumption, then, seems valid and is in accordance with the instructions issued by the Customs authorities.

It is necessary next to apply a flat rate per ton of freight to the figures of tonnage exported for each of the important commodity classes (excluding grains, flour, etc.). The Transportation Branch of the Bureau has selected for each of these commodities an export rate, being the through freight rate on the typical export haul for that commodity. The results obtained by this method are likely to be as accurate as is possible. Flat rates per ton do not vary greatly for slightly longer or shorter hauls, and export rates are generally lower than interprovincial rates, a factor which tends to invalidate the use of the ton-mile rates formerly adopted in this computation. Flat rates per ton are, therefore, selected and the calculation has been still further shortened and simplified by combining these export rates into a weighted average export freight rate which has been applied to the total tonnage of goods exported (excluding, of course, grains and flour). This average worked out to approximately \$4 per ton for 1928-1929; in view of the slight changes in railway rates, this figure is adopted for each subsequent year.

The method is illustrated in the statement below, which shows the calculation of the freight earned by Canadian railways on non-grain exports in 1936.

XVI. FREIGHT RECEIVED BY CANADIAN RAILWAYS ON NON-GRAIN EXPORTS, 1936

	Tons
Total freight delivered to foreign connections.. . . .	26,206,556
Freight received from foreign connections destined to foreign points (in-transit traffic).. . . .	11,675,380
Canadian export traffic.. . . .	14,531,176
Canadian grains and flour and other milled products.. . . .	5,990,907
Canadian export traffic less grains and other milled products..	8,540,269
Freight receipts at average flat rate of \$4 per ton on above traffic (8,540,269 × 4)	\$34,161,076

The Summary of Monthly Traffic Reports does not divide the freight delivered to foreign connections into that exported by sea and that exported across the Canadian-United States boundary. In the absence of more precise data, the freight receipts are divided roughly on the same basis as the value of exports to Great Britain, United States and other countries. This assumes that the relations between freight rates, weight and value are approximately the same for the exports to these three destinations, which may not be true.

For 1936, new direct information was obtained from the Canadian railways on their earnings on freight loaded at stations in Canada and destined to points

in the United States and Mexico. Total earnings on this traffic for 1936 were over \$16 million, or almost the same as the estimated receipts by the railways from the carriage of exports to the United States calculated for the same year by the old method described above.

For 1937, the new source of railway receipts on freight to the United States was adopted. But in order to arrive at total earnings on all exports, it is necessary to make a separate calculation for freight earned by Canadian railways on overseas exports through Canadian seaports, as the method formerly followed used an average rate devised to include not only exports to the United States and Mexico but to other countries as well.

Accordingly, a special study of the inland freight on exports to overseas countries was made for the year 1937. To obtain the tonnages of the principal commodities exported overseas required a certain amount of estimation, as no one source of information reveals the amounts exactly, although various sources provide a considerable amount of collateral information on these particular exports. The annual report of the National Harbours Board shows the tonnages of the principal commodities passing through the ports coming under the jurisdiction of that authority. This source was used as a basis for reckoning the tonnages with additional details gathered from the Summary of Monthly Traffic Reports. To the tonnages so obtained, suitable rates were applied to calculate the total earnings of Canadian railways. The selection of rates applicable to various tonnages was made after careful consideration was given to the principal points of origin of the commodities and the routes followed in their movement to the ocean ports. As all goods exported overseas do not pass through the ports covered above, an arbitrary amount was added to account for earnings on traffic exported from other Canadian ocean ports. The amount added is believed to be sufficient to include the earnings of vessels on inland waters and coastal routes and of motor transport on traffic transported by these carriers to ocean ports. The ports covered in the detailed calculation were Halifax, St. John, Montreal, Vancouver, New Westminster and Quebec.

	<i>Millions of Dollars</i>
Estimated Earnings of Canadian Railways carrying Exports (exclusive of Grains, Flour and Milled Products) to above ports..	16·2
Estimated Earnings on Exports not included above..	2·8
	<hr/> 19·0

Accordingly, the total earnings in 1937 of Canadian carriers from Canadian exports, other than grain, flour and milled products were as follows:

	<i>Millions of Dollars</i>
Earnings of Canadian Railways on Goods to the United States..	18·6
Earnings of Canadian Carriers on Goods exported from Canadian Ocean Ports (exclusive of Grains, Flour and Milled Products)..	19·0
	<hr/> 37·6

It is of interest to note that the earnings estimated for 1937 by the method formerly employed, \$39·8 million, did not differ greatly.

The following statement shows the earnings of Canadian railways on non-grain exports for the period from 1926 to 1937 as estimated by the methods described above:

XVII. ESTIMATED FREIGHT RECEIVED BY CANADIAN RAILWAYS ON
NON-GRAIN EXPORTS, 1926-1937

(In millions of dollars)

1926—44·6	1932—17·3
1927—44·0	1933—21·4
1928—44·1	1934—25·6
1929—43·1	1935—28·6
1930—34·5	1936—34·2
1931—24·4	1937—37·6

**FREIGHT RECEIPTS ON EXPORTS OF GRAIN, FLOUR
AND OTHER MILLED PRODUCTS**

Canadian shipping and railway companies earn large sums annually for the carriage of export grain but by far the greater proportion of these earnings are included in the recorded value of exports as already explained. It is only necessary, therefore, to take account of the invisible portion so far as the balance of international payments statement is concerned. The following is a list of customs ports of exit showing the geographical location of the point of original shipment for grains for purposes of export valuation in the trade returns:

<i>Customs Port of Exit</i>	<i>Point of Original Shipment</i>
Montreal, Que.	Montreal, Que.
Quebec, Que.	Quebec, Que.
Saint John, N.B.	Saint John, N.B.
Halifax, N.S.	Halifax, N.S.
Vancouver, B.C.	Vancouver, B.C.
Prince Rupert, B.C.	Prince Rupert, B.C.
Coaticook, Que.	Formerly mostly from Fort William and Port Arthur but of late years mostly from Georgian Bay ports.
Sherbrooke, Que.	
St. Johns, Que.	
Welland, Ont.	Mostly Georgian Bay ports.
Niagara Falls, Ont.	
Bridgeburg, Ont.	
Prescott, Ont.	
Cornwall, Ont.	

Working on the basis of the foregoing list, and taking into account the various routes and methods by which the grain traffic is moved, the "invisible" items in inland freight payments and receipts for grain are calculated as explained in the following brief notes:

Freight earned by Canadian carriers.

1. United States grain in bond from Port Colborne to Montreal. Quantities obtained from Grain Trade Report. Rates from Transportation Branch, Dominion Bureau of Statistics. In recent years this movement has been negligible or non-existent.
2. United States grain in bond from Georgian Bay ports by rail to Montreal, American seaboard, Canadian seaboard, etc. Quantities from Grain Trade Report. Rates from Transportation Branch, D.B.S.
3. Canadian grain from Georgian Bay ports by rail to border points. Quantities from Grain Trade Report. Rates from Transportation Branch, D.B.S.
4. Canadian grain carried in Canadian ships from Fort William and Port Arthur to Buffalo. Quantities and rates from Transportation Branch, D.B.S.
5. Canadian grain from Fort William and Port Arthur by rail to Coaticook, etc. Quantities from Grain Trade Report. Rates from Transportation Branch, D.B.S. Of late years this movement has been negligible. Practically all grain to these ports of exit is now shipped from Georgian Bay ports.

6. United States grain in transit. This in-transit grain is included in the general in-transit estimate specially compiled and is omitted here to avoid duplication.
7. Grain from overseas countries shipped in Canadian vessels from Montreal and other St. Lawrence ports to Chicago and other United States lake ports.

Payments to United States.

8. Grain shipped from Fort William and Port Arthur to Canadian ports in United States vessels. Grain Trade Report. (None in recent years.)
9. Trans-shipments of Canadian grain from Buffalo to Montreal in United States vessels. Transportation Branch, D.B.S.

That is to say, the quantities shipped by the various routes for the crop years are extracted from the Report on the Grain Trade of Canada, and placed on a calendar year basis, and in some cases converted from bushels into units of 100 pounds to which the rates are applicable. Average lake freight rates on wheat are obtained from the Grain Trade Reports and applied to the related shipments; rail freight rates are obtained from the Transportation Branch. For the sake of convenience the *net* "credit" for grain freight is carried forward to the Summary as the amounts are not large, especially for recent years.

Sources of receipts from the transportation of Grain Exports in Canada (exclusive of transportation charges included in the Value of Exports).

1. Canada receives the freight charges for this service from the United States, although the United States shipper will be reimbursed later by the foreign importer if the grain is exported from Montreal.
2. This receipt is from the United States. If any of the grain is exported overseas, the United States shipper will be later reimbursed as in Section 1.
- 3, 4 and 5. The receipts for the transportation of grain in these three sections are added together and divided roughly in the same proportions as the total grain exports to Great Britain, the United States and other countries.
7. This receipt is from the United States.

Payments to the United States for the Transportation of Canadian Grain in United States Vessels.

- 8 and 9. The Canadian shippers pay the owners of the United States vessels, although they will ultimately be reimbursed by an amount included in the valuation of the grain exported from Montreal and paid for by the foreign purchasers if the grain was exported. If it was diverted into Canadian consumption, the invisible import recorded from the United States still covers the transaction.

With the adoption for 1937 of the method described elsewhere, of covering the earnings of Canadian railways carrying exports to the United States border, it is no longer necessary to estimate their earnings on grains, flour and milled products carried by rail to the United States border and described in notes 2, 3 and 5 on freight earned by Canadian carriers appearing above, viz.:

- (2) United States grain in bond from Georgian Bay ports by rail to Montreal, American seaboard, etc. (Amount carried by water or to Canadian seaboard is negligible.)
- (3) Canadian grain from Georgian Bay ports by rail to border points.
- (5) Canadian grain from Fort William and Port Arthur by rail to Coaticook, etc.

Consequently, the grain movements which must be treated separately are considerably reduced in number. This along with the small wheat crop in 1937 explains the small earnings estimated below for 1937.

CANADIAN RECEIPTS (N.O.P.) FROM FREIGHT ON
GRAIN MOVEMENTS, 1937

On shipments from Port Arthur to Buffalo, etc. in Canadian vessels....	\$286,000
On shipments of grain from overseas countries from Montreal and other St. Lawrence ports to Chicago and other United States lake ports in Canadian vessels.....	\$816,000

This latter movement has been a development of the past few years and is a consequence of shortages of grain in the United States resulting from a succession of poor crops, leading to the import into the United States of grains, particularly corn, from overseas countries.

On shipments of United States grain in Canadian vessels from Upper Lakes to St. Lawrence ports.....	\$400,000
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There were no payments on grain movements in 1937 to be debited against Canada as in previous years. No grain was shipped in United States vessels from Port Arthur or Fort William to Canadian ports. In this connection, it should be noted that such a traffic is contrary to the Canada Shipping Act, unless there are exceptional circumstances. Neither was any grain shipped during the year from Buffalo to Montreal in vessels other than of Canadian ownership.

XVIII.—NET EARNINGS OF CANADIAN INLAND CARRIERS ON EXPORTS OF
GRAIN, FLOUR AND OTHER MILLED PRODUCTS (EARNINGS NOT
INCLUDED IN VALUE OF MERCHANDISE EXPORTS)

(In millions of dollars)

1926—4.9	1932—0.6
1927—4.8	1933—0.9
1928—3.7	1934—1.6
1929—2.7	1935—0.7
1930—1.5	1936—1.8
1931—1.5	1937—1.5

FREIGHT RECEIPTS FROM IN-TRANSIT TRAFFIC

The summary of Monthly Traffic Reports compiled by the Bureau of Statistics shows, *inter alia*, the volume of "freight received from foreign connections destined for foreign points." This is the in-transit traffic on which Canada can be said to earn "invisible" receipts which must be included in the balance of international payments. This movement of goods in transit across Canada is particularly heavy on the lines running across south-western Ontario between Detroit and Buffalo and on the Canadian section of the line running between Chicago, Montreal and the New England States.

The larger part of the Ontario traffic (about 75 per cent in some years) consists of American traffic passing over American-owned or leased lines; over the Michigan Central, the Wabash Railroad and the Père Marquette. This does not mean, however, that Canada should not be credited with some freight receipts from the traffic. The operating expenses of the line are incurred and disbursed in Canada; the receipts come largely from American shippers. This, then, is clearly an "international" transaction.

It is necessary, therefore, to make separate calculations in order to arrive at:

- (a) Freight receipts by Canada arising from in-transit traffic on American-owned or leased lines in Ontario.
- (b) Freight receipts by Canada arising from in-transit traffic on Canadian lines in all other provinces and on Canadian lines in Southern Ontario.

Receipts from in-transit traffic are calculated separately for each province in accordance with the form of the Traffic Report Statistics. The details given below are for 1937 and indicate the nature of the primary data on which the estimates are made.

(1) <i>In-Transit Traffic</i> —		Tons
Nova Scotia		1,287
New Brunswick		326,430
Quebec		1,528,165
Manitoba		95
Saskatchewan		25,830
British Columbia		280,549
Total		2,162,356
(2) <i>In-Transit Traffic</i> —		
Ontario		10,321,734
Total		12,484,090

The tonnage under Section 1 (all provinces except Ontario) was carried very largely on Canadian-owned lines and is described briefly as follows:—

New Brunswick.—Goods are received from points on the Maine-New Brunswick frontier and carried back into Maine or possibly exported via Saint John. It will also include traffic received from the New Brunswick ports ("foreign points") destined to points in Maine or elsewhere at a through rate. In any case the haul is relatively short and the freight rate to be adopted is arbitrarily placed at \$1 per ton.

Quebec.—A movement of traffic occurs from the Chicago region across Quebec in bond and back into the United States to Portland, Maine, whence it is exported. There is a reverse movement—imports via Maine and Quebec to the American Middle West. Again, for a relatively short haul across the province, the freight rate is arbitrarily placed at \$1 per ton.

British Columbia.—Goods come from the Far East via Vancouver and are transhipped in bond to Chicago and Eastern American points. For example, silk from Japan and China, etc., destined for Central and Eastern points in the United States was shipped often in special fast freight trains and in many years paid a high rate of approximately \$9 per cwt.* For the whole of this long-distance in-transit traffic an arbitrary estimate of \$10 per ton has seemed reasonable for the period from 1926 to 1931 and \$6 for the years from 1932 on.

Ontario.—The Traffic Reports show in-transit traffic of 10,321,734 tons for 1937. Of this it appears that the C.P.R. and C.N.R. carry approximately 2,855,378 tons. The rest of the traffic was carried by American-owned or leased lines, principally by: (a) Wabash Railway, (b) Père Marquette, (c) Canada Southern or Michigan Central. These American lines have running rights and leases on Canadian lines, but, since the revenues received from American shippers are almost entirely spent in Canada in the form of operating expenses, there is justification in including these earnings in the general category of Canadian freight receipts from in-transit traffic.

As a basis for the estimate, therefore, the statistics published in the Traffic Report relating to the total operating expenses of United States lines in Canada are used, from which have been extracted those dealing with the three lines referred to (which together constitute 90 per cent of the total of such expenses).

A deduction must be made from this total to allow for freight receipts derived from traffic originating in Canada, which is not in-transit traffic, and, therefore, does not merit inclusion as a receipt chargeable to foreigners.

*More recently a special rate of \$4 per cwt. has been in force.

Analysis of the reports dealing with freight carried by American-leased railways in Canada shows that over the years 1926-1928 approximately 70 per cent of the traffic originated in the United States. That proportion, then, of the total operating expenses is appropriated as a freight receipt by Canada.

XIX. IN-TRANSIT TRAFFIC

(Canadian and United States Leased Lines in Canada)

	1926	1929	1933	1937
	Tons	Tons	Tons	Tons
Nova Scotia.....	471	2,204	2,782	1,287
New Brunswick.....	275,738	475,194	214,697	326,430
Quebec.....	1,700,762	2,379,078	1,004,131	1,528,165
Ontario.....	12,894,410	13,828,247	7,215,323	10,321,734
Manitoba.....	960	401		95
Saskatchewan.....	14,713	18,475	5,453	25,830
British Columbia.....	314,320	301,601	88,715	280,549
Total tonnage.....	15,201,374	17,005,200	8,531,101	12,484,090
Portion carried by C.P.R. and C.N.R. in Ontario....	3,459,000	4,435,000	2,358,000	2,855,378

TOTAL OPERATING EXPENSES, UNITED STATES LINES IN CANADA

	\$	\$	\$	\$
Canada Southern.....	14,340,865	15,248,455	6,483,327	8,298,902
Père Marquette.....	3,060,500	3,270,152	1,956,779	2,680,255
Wabash (in Canada).....	5,203,016	5,812,423	2,780,034	3,920,878
(Other U.S. railways in Canada negligible.)				
Total.....	22,604,381	24,331,030	11,220,140	14,900,035

ESTIMATES OF RECEIPTS ON IN-TRANSIT TRAFFIC

	\$	\$	\$	\$
New Brunswick (at approximately \$1 per ton).....	300,000	500,000	215,000	326,000
Quebec (at approximately \$1 per ton).....	1,700,000	2,400,000	1,004,000	1,528,000
British Columbia (at approximately \$10 from 1926 to 1931 and \$6 from 1932 onwards, per ton).....	3,100,000	3,000,000	535,000	1,683,000
Ontario (carried by C.P.R. and C.N.R. at approximately \$3 per ton).....	10,400,000	13,300,000	7,079,000	8,566,000
United States—leased lines in Canada (at 70 per cent of operating expenses).....	15,800,000	17,000,000	7,854,000	10,430,000
Total estimated receipts from in-transit traffic.....	31,300,000	36,200,000	16,687,000	22,533,000

XX. ESTIMATED RECEIPTS BY CANADA FROM IN-TRANSIT TRAFFIC, 1926-1937

(In millions of dollars)

Year		Year	
1926.....	31.3	1932.....	16.6
1927.....	35.3	1933.....	16.7
1928.....	36.0	1934.....	18.6
1929.....	36.2	1935.....	18.9
1930.....	28.5	1936.....	21.0
1931.....	23.6	1937.....	22.6

In-transit Traffic on the C.N.R. and C.P.R. in Ontario

The in-transit traffic of the C.N.R. and C.P.R. in Ontario chiefly consists of commodities moving in bond from Chicago and the West generally to Detroit and Sarnia, thence through Ontario to Buffalo or through to Montreal for shipment abroad. These commodities include mainly grains, flour, fruits and vegetables, dressed meats and packing house products, anthracite, ores and timber (see Traffic Report—Ontario Section). The average length of haul is about 300 miles. Average earnings of all Canadian railways on revenue freight

in 1929 were 1.09 cents per ton-mile, or say approximately \$3 per ton for this particular haul. This flat rate, therefore, is applied to the tonnage carried. The accompanying tables show the details relating to the in-transit traffic and the estimates of receipts for inclusion in the balance of payments, computed by the methods referred to.

Canadian Railways in the United States

In their relation to the freight item of the balance of payments Canadian owned or operated railways in the United States are considered as being analogously situated to United States railways as far as earnings are concerned. For example, Canadian payments to the Canadian-owned lines in the United States for freight on imports carried to the border are taken as debits in the same way as payments to any other railways in the United States.

But transactions distinct from such international exchanges of services are recorded elsewhere in the balance of payments statement. For instance, receipts of interest or dividends from United States subsidiaries of Canadian companies are recorded as credits in the interest and dividend item. Similarly inter-company or intracompany movements of capital such as advances to subsidiaries abroad appear in the item covering direct investment transactions in the capital account. Operating expenses of the branches in the United States when paid by the Canadian companies also are included in that item.

Ocean Shipping Operations and the Balance of Payments

A study of the effects of ocean shipping operations upon the balance of payments statement is also closely related to the bases upon which Canadian import and export statistics are valued. Due to the practice followed in Canada of valuing imports at the point of origin abroad, it is necessary to calculate the earnings of British and foreign vessels carrying imported merchandise to Canada as these earnings constitute an "invisible" debit against Canada, and also to take account of the credits coming from the expenditures in Canada of British and foreign vessels. Similarly, in the case of the export trade, transactions of significance to the balance of payments arise when Canadian vessels have earnings from the transportation of merchandise exported from Canada or on traffic between foreign ports, or when expenditures are made outside of Canada on account of vessels owned or operated by Canadians.

Transactions of significance to the balance of payments and not covered in other items of the statement may, therefore, be summarized as follows:—

- (a) Transactions connected with services of British and foreign ships.
 - (1) Debits—Payments to British and foreign vessels on inward freight to Canada.
 - (2) Debits—Payments to British and foreign vessels on imports from overseas countries entering Canada via the United States.
 - (3) Credits—Expenditures in Canada on account of British and foreign vessels.
- (b) Transactions connected with the operations of Canadian vessels.
 - (1) Credits—Earnings of Canadian-owned or operated vessels on outward freight from Canada.
 - (2) Credits—Earnings of Canadian-owned or operated vessels on traffic between foreign ports.
 - (3) Debits—Expenditures outside of Canada on account of vessels owned or operated by residents of Canada.

The method of calculating ocean shipping transactions has undergone considerable development in recent years. That employed since 1935 is more direct and does not rely upon averages and other more or less arbitrary devices as

did the old. As it was necessary to rely upon the old method in calculating the shipping item for most of the period covered in this report, it is described in some detail here. Since the recently developed method is not dependent upon indirect calculations, it is to be expected that the results are more exact than those obtained by the old. However, a comparison of the results of the two methods of calculation leads to the conclusion that the net payments estimated by the former seem to be reasonably reliable. But the old method does not produce as true a picture of the total international payments and receipts arising from shipping transactions nor of the distribution of trade between British and foreign vessels and Canadian vessels. The total receipts and payments formerly shown in the shipping item were the net totals in each case whereas now it is possible to show the gross transactions concerned, and these are more desirable figures for the balance of payments statement.

METHOD OF ESTIMATION USED FOR YEARS 1926-1934

Tonnages of freight entered and cleared in British, foreign and Canadian vessels are shown by fiscal years in the Annual Shipping Report of the Department of National Revenue. These form the starting point for the estimate of ocean freight receipts and payments. Further steps in making the estimate are as follows:—

1. A rate per ton is calculated for exports and imports. As a result of a special inquiry addressed, some years ago, to various shipping companies, weighted average freight rates were struck for the year 1928, that for import trade being \$9.65 per ton and for exports \$7.07 per ton. These rates have been adjusted for other years according to the Economist index number of freight rates.

Year	Index No.	Rate per ton	
		Import	Export
		\$	\$
1926.....	109.7	10.71	7.85
1927.....	109.7	10.70	7.85
1928.....	98.8	9.65	7.07
1929.....	96.8	9.45	6.93
1930.....	79.4	7.75	5.69
1931.....	79.6	7.77	5.70
1932.....	75.4	7.36	5.40
1933.....	72.6	7.09	5.20
1934.....	73.9	7.23	5.29
1935.....	74.4	7.26	5.32

The difference between the import and export rates is explained by the different natures of the traffic. Canadian exports are predominantly of a nature to command lower freight rates. For example, wheat is easily handled and is good ballast. Imports are predominantly more or less manufactured goods which must be carefully handled and which have high value in relation to bulk. It is important to make separate rates for imports and exports for the balance of payments freight item because the proportion of tonnage carried in Canadian vessels appears to be greater in respect of exports where the freight rates are lower. British and foreign vessels carry most of the imports.

In spite of this general character of import rates there is reason to believe that the import rates shown above may exaggerate the actual situation, as it would seem that the effect of rates on imports of bulk commodities like coal may not have been entirely reflected in the averages. A fuller discussion as to the validity of the average rates will be found later in the section on developments in method in recent years.

2. A correction must be made in the tonnages because of the fact that certain Canadian vessels are under British registry, and tonnage carried by these is classed in the Shipping Report as carried in British vessels. The most important of these Canadian vessels are the Canadian Pacific liners, most of which are in this sense "British."

The tonnage of freight carried by ships in this category must be dealt with as follows:—

- (a) When carrying imports, the tonnage of freight must be deducted from the total described as "entered in British and foreign vessels."
- (b) When carrying exports, the tonnage of freight must be added to the total shown as carried in Canadian vessels.

As a result of a special inquiry made some years ago among Canadian corporations with shipping fleets, it was estimated that the inward freight tonnage carried in British vessels must be reduced by 10 per cent to offset the inclusion of Canadian-owned vessels in the statistics. The tonnage of exports shown as carried in Canadian-owned vessels must be increased by 40 per cent to allow for Canadian vessels recorded as British.

3. When the gross freight values have been ascertained, a deduction of 33½ per cent must be made from payments due British and foreign vessels for port expenditures in Canadian waters. This percentage was arrived at as a result of a detailed study made for the year 1925. Statistics of the principal ports were examined, the actual harbour and pilotage dues paid in each port being estimated for all non-Canadian shipping. Loading and unloading expense was taken at twenty-five cents per ton of cargo; brokerage and commissions at five cents per ton net register; and expenditure by crews at one dollar per head. The final result proved to be 35 per cent of the estimated freight earnings for Canadian cargo of British and foreign ships in 1925.

4. No adjustment is made to convert fiscal years shown in the Shipping Report to calendar years for the balance of payments, since the error appears to be small.

5. On the basis of the above method, freight payments by Canada to British and foreign vessels for the years 1926-34 were as follows:—

(In millions of dollars)

1926.....	28·7	1931.....	23·4
1927.....	33·1	1932.....	23·6
1928.....	32·2	1933.....	26·2
1929.....	38·2	1934.....	31·3
1930.....	30·0		

6. For certain purposes these payments are divided into those to: (a) Great Britain, (b) United States, (c) other countries. The payment to Great Britain is calculated directly from the tonnage of freight entered inwards in British ships; deductions are made, of course, for freight carried in Canadian ships under British register. The payment to the United States and other countries is calculated directly from the tonnage of freight entered inwards in foreign ships. Division of payment between the United States and other foreign countries is made roughly by applying the ratio of their shipping tonnage entered inwards, which is shown in Table 13 of the Shipping Report. This ratio is used in the absence of more satisfactory data. A factor which may tend to destroy its accuracy is the inclusion of the tonnage of ships entered inwards in ballast with the tonnage of vessels shown by nationality in the Shipping Reports.

FREIGHT RECEIPTS EARNED BY CANADIAN VESSELS

This item was estimated for the years from 1926 to 1934 on the same basis as that just described for payments to British and foreign vessels, the figure for export tonnage carried in Canadian vessels being increased by 40 per cent to include Canadian vessels which would be recorded as "British."

FREIGHT RECEIPTS OF CANADIAN VESSELS FROM 1926 TO 1934

(Millions of dollars)

1926.....	15.6	1931.....	4.6
1927.....	12.7	1932.....	3.5
1928.....	12.1	1933.....	4.7
1929.....	9.3	1934.....	5.6
1930.....	5.8		

In addition to showing the total tonnage of exports carried by Canadian vessels, the Shipping Reports show the tonnage carried to the countries to which the ships departed. The destination of the freight can be used as a means of determining approximately the sources of payment for the freight carried on Canadian ships of British registry (40 per cent of the tonnage carried on ships of Canadian registry). A large part of this is carried by the Canadian Pacific Steamships to Europe and the Orient. It is doubtful whether any freight is carried to the United States by the Canadian vessels of British registry. Consequently, the percentages of freight carried to the various countries in ships of Canadian registry cannot be applied to that carried on Canadian ships of British registry. The latter freight is probably divided almost entirely between Great Britain and "other countries," whereas of the former approximately one-half is carried to the United States.

Accordingly, the following method of determining the sources of payment of the earnings of Canadian vessels carrying ocean freight was employed.

The total of estimated receipts for this service is divided into:—

(a) The receipts earned by Canadian ships of Canadian registry (five-sevenths of total).

(b) The receipts earned by Canadian ships of British registry (two-sevenths of total).

(a) is divided by the percentages of freight carried in ships of Canadian registry to Great Britain, the United States and other countries.

(b) is divided in the same ratio as the merchandise exports to Great Britain and other countries (exclusive of United States).

OCEAN FREIGHT PAYMENTS MADE BY CANADA ON IMPORTS VIA UNITED STATES

Canadian trade returns show the value of imports, other than of United States origin entering Canada via the United States. The freight paid on this relatively small volume of imports constitutes an invisible import. Railway freight paid for transit across the United States is included in the calculation of freight paid to United States railroads. An estimate must also be made of the ocean freight paid from point of origin to the United States port, the assumption being that these imports are carried in non-Canadian vessels.

The method formerly used was to estimate the tonnage of this trade, and multiply the resulting figure by the inward ocean freight rate for the particular year. To estimate the tonnage from the recorded statistics of the value of goods imported into Canada via the United States, it was necessary to make some rough calculation of the average value per ton of all ocean imports into Canada. The result varies from \$55 to \$62 for 1926-29. The application of these values to imports via the United States gives the tonnage required and this figure is multiplied by the freight rate to arrive at the total freight cost on the imports.

Several objections may be made to this method: Firstly, the statistics of imports via the United States are on a *fiscal* year basis; and, secondly, the assumption that imports via the United States are of a similar nature (in respect to bulk and value and, therefore, by inference, in respect to freight rates) to those entering Canada direct, may be invalid. In point of fact, the goods coming via the United States are largely raw materials from South and Central America and

the Far East, and are probably worth less per ton than the manufactured goods coming direct to Canada from Europe, etc. A small amount of these imports comes from Mexico by rail.

Total amounts involved are relatively small, however, so no adjustments have been made and it is believed that to estimate this freight payment as being equal to 15 per cent of the value of the imports via the United States is sufficiently accurate.

XXI. ESTIMATED FREIGHT PAID ON IMPORTS FROM OVERSEAS VIA UNITED STATES

(Thousands of Dollars)

Fiscal Year ending March	Imports from Overseas via United States	Ocean Freight Paid
1927.....	12,761	2,174
1928.....	12,118	1,995
1929.....	11,043	1,890
1930.....	9,850	1,478
1931.....	8,958	1,344
1932.....	4,960	744
1933.....	3,065	460
1934.....	3,627	544
1935.....	5,360	804
1936.....	6,282	942
1937.....	7,634	1,145
1938.....	6,294	944

There is no indication of the nationality of the vessels used in the importation of merchandise other than of United States origin via the United States. In view of the small payments involved, particularly in recent years, the purely arbitrary plan has been adopted of allotting one-third to each of Great Britain, the United States and other countries. There can be little doubt that each of these supplies some of the service.

DEVELOPMENTS IN METHOD USED IN RECENT YEARS

During the summer of 1936 a special investigation* into ocean shipping transactions was conducted by the Bureau, with a view to throwing additional light upon the effects of these transactions upon the Canadian balance of payments. As a preliminary survey, information was collected on rates for the principal commodities imported into Canada from overseas which were representative of the rates effective during 1935. This procedure met with considerable success. Several bulk commodities like coal and petroleum account for a large part of the tonnage of cargoes imported. The general method was followed of approaching the problem by the principal ports, each of which has its individual characteristics. As a consequence, a mass of data has become available concerning the payments for the ocean transport of Canada's imports, revealing the relative importance of the freight charges for the different commodities and routes. The principal obstacle arising from this approach was the difficulty of obtaining an accurate division of the payments to the different countries, as only a limited amount of information was available on the nationality of the vessels carrying the different commodities. It was necessary, also, to take account of the expenses of British and foreign ships in Canada by means of estimation.

* A special investigation into receipts and payments for shipping and coal freights was made for the Bureau by Professor J. M. Macdonald of the University of Manitoba during the summers of 1936 and 1937.

Earnings of Canadian shipping companies on the carriage of exports from Canada and from their business between foreign ports were obtained from most of the companies concerned along with statements of expenditures outside of Canada. These latter were not entirely satisfactory because of the undetermined item of crew wages spent abroad. Information for 1935 was not secured from several Canadian companies chartering foreign vessels.

This investigation provided a check on the average rates employed in the previous years. A comparison of the average export rate revealed by the 1935 study with the old export rate indicates that the old rate was reasonably accurate. But there is more assurance of continued accuracy when the information is secured directly at the source, and as the number of Canadian companies engaged in ocean shipping is relatively small, the most satisfactory procedure seems to be to obtain reports annually from all Canadian companies owning or operating vessels on ocean routes.

A comparison of the import rate used formerly with the average rate revealed by the detailed calculations in 1935 does not show such a close agreement, however. The average rate formerly used for the calculation of payments on imports appears to have been too high when the influence of the low rates on bulk cargoes is considered. The old rate was originally calculated from the inward tonnages and income of about a score of shipping companies. As these companies operated permanent lines, the effect of low rates on bulk commodities carried by tramps and tankers was not given due weight. A more direct method of ascertaining payments on inward freight was obviously preferable. A detailed survey of freight payments by principal commodities each year would not be practicable, however, and there would remain the difficulties in determining the nationalities of the vessels, as has already been indicated. The most desirable procedure seems to be to obtain reports directly from the owners or agents of British or foreign vessels touching Canadian ports.

Accordingly, in conjunction with the investigation of freight payments during 1936, a plan was developed for obtaining information annually to provide a basis of covering shipping transactions for the balance of payments statement. With the co-operation of the Shipping Federation of Canada and the Vancouver Chamber of Shipping, schedules were sent to all owners or agents of vessels calling at Canadian ocean ports, with the purpose of obtaining information for the year 1936. Excellent assistance was given by the shipping industry in this initial inquiry and sufficient information was secured in this way for 1936 to cover most shipping transactions in that year. It was necessary to estimate some unrecorded transactions, however.

For the year 1937, the same general procedure of obtaining reports directly from the firms concerned was followed. The schedules used for 1937 ask for the tonnages, earnings on inward freight and expenditures in Canada of vessels owned or operated by each of the three groups of non-Canadian interests.

(a) United Kingdom interests.

(b) United States interests.

(c) Interests other than Canadian, British (U.K.) and American.

These data are sufficient to calculate the effects of the operations of non-Canadian vessels upon the Canadian balance of payments.

For Canadian shipping companies a wider range of facts is necessary. The schedule employed elicits information on freight earnings on outward cargo from Canada, earnings on cargo between foreign ports, expenditures of Canadian operators abroad, amounts paid for charters, passenger expenditures by residents of other countries and an estimate of crew wages expended outside of Canada.

A modification of this schedule is used for Canadian oil companies. These companies import petroleum under a variety of circumstances; some tankers bringing petroleum to Canada are owned by the oil companies and some are chartered, and some petroleum is imported in vessels neither owned nor operated by Canadian concerns, while imports by pipe lines are also important.

It should be noted that the ocean shipping earnings employed in the shipping item do not include earnings from passenger traffic. Earnings on passenger traffic are closely related to the tourist trade and the passage money paid by passengers from Canadian ports is treated in the estimates of tourist expenditures, although data on the passenger revenue of Canadian shipping companies are collected on the schedule illustrated above. Consequently, account is not taken of passenger revenues in this study of ocean shipping transactions, which is concentrated upon the freight transactions which are not covered elsewhere in the balance of payments statement, and which are, for the most part, intimately bound up with the commodity trade. Passenger income, if introduced into this item, would considerably alter some of the general characteristics revealed by the investigation, as the passenger business represents a substantial proportion of the business of some shipping companies.

A point that might also be emphasized is that the apparent payments to British and foreign ships for the transportation of imports to Canada is greater than the actual effects upon the balance of payments because of the expenditures in Canada on account of these vessels. When this offsetting factor of expenditures is considered, the conception of imports "C.I.F." the Canadian ocean ports appears artificial as regards the actual international effects of Canada's foreign trade. For the individual importer the costs may be the "C.I.F." value, but from the national point of view there is this offsetting factor of expenditures. For this reason "C.I.F." valuations are misleading when used in a balance of payments context without qualifications.

XXII. OCEAN SHIPPING TRANSACTIONS N.O.P.—1935-1937

(Estimated by New Method)

(Millions of Dollars)

Year	Gross Credits	Gross Debits	Net Debits
1935.....	20·0	41·2	21·2
1936.....	23·2	53·0	29·8
1937.....	50·0	86·0	36·0

Comparison of Ocean Shipping Transactions Estimated by the Old and New Methods

A comparison of the ocean shipping data shown for the years from 1926 to 1934 with the data obtained by the new method for 1935, 1936 and 1937 shows much larger amounts in the later years. To a considerable extent, however, larger credits have been offset by larger debits with the consequence that the net debits resulting in recent years are not much different from the net debits in the earlier period. For example, net debits on account of ocean shipping estimated at \$22·0 million in 1928 and \$26·7 million in 1934 by the old method compare with the net debits of \$21·2, \$29·8 and \$36·0 million that appear with the new method for the years 1935, 1936 and 1937 respectively.

The reason, of course, why the total debits and credits shown for the latter three years are so much larger than those shown for the earlier years is that the old method estimated the net payments to British and foreign ships and the net earnings of Canadian ships. In contrast, the new method shows the

gross amounts involved. For instance, there appear as debits: (1) freight paid to British and foreign ships on imports by ocean ports; (2) expenditures abroad of Canadian ships; (3) estimated freight paid to British and foreign ships on imports from overseas countries entering Canada via the United States. Total credits in the latter three years include: (1) expenditures in Canada of British and foreign ships; (2) earnings of Canadian ships on outward freight from Canada, on freight carried between foreign ports, and on passenger cruises from foreign ports.

It will be noted that the gross amounts shown for ocean shipping transactions in 1937 are considerably greater than in the two preceding years. This is probably mostly due to the greater volume of tonnage and to higher ocean freight rates. Some other increases, however, can be traced to a more complete coverage in 1937 of the transactions of vessels chartered by Canadian operators although the net amount involved is not large.

Freight and Ocean Shipping Transactions in General Relation to the Balance of Payments

Although the freight item of the balance of payments statement is closely related to the fluctuations in the volume of Canada's imports and exports it is not lacking in some rigidities and independent movements peculiar to itself. In every year in the period under review there have been net payments by Canada on account of freight. The average of net debits per year has been \$22.7 million. Net debits have fluctuated between the two limits of \$9.5 and \$39.1 million reached in 1926 and 1929 respectively. The widest annual fluctuation was between 1928 and 1929 when net debits expanded from \$19.4 million to \$39.1 million. Between these two years it should be noted there was a marked change in the merchandise trade, there being a shift from a credit balance for merchandise trade of \$131.0 million in 1928 to a debit balance of \$131.3 million in 1929. This change in balance reflected a decline in total exports, and an increase in imports, especially imports from the United States. As a consequence debits on freight account increased while credits declined slightly.

The relations between debits in the freight item and merchandise imports are closer than those between credits and merchandise exports. Payments to United States carriers on coal and other merchandise imported across the border provide an illustration. Similarly, payments to British and foreign ships for freight on merchandise imported from overseas countries are closely related. Thus the reduced imports from the United States in the latter part of the 12-year period being studied have been accompanied by smaller payments to the United States carriers for the services of transporting merchandise to the Canadian border. At the same time the heavy payments for freight on coal imported from the United States deserve special attention, for there is a fairly rigid volume of debits arising from this one commodity. Fluctuations in freight payments for other merchandise imported from the United States have been much wider and are more closely related to changes in the total volume of imports from that country. In the same way, while some debits on account of ocean shipping fluctuate with the total volume of merchandise imported from overseas, there are other factors influencing these payments as well. For instance, ocean freight rates are subject to wide fluctuations due to general conditions. Then, too, debits arising from the expenditures abroad on account of Canadian ships are subject to influences independent of the volume of imports into Canada, and a certain level of expenditures is necessary so long as services are maintained.

Credits received from freight transactions are less closely related to the total export trade because of the important earnings of railways in Canada from in-transit traffic and because most inland freight on exports of grain is already

included in the value of grain exports. In so far as fluctuations in merchandise exports are due to grain exports they do not produce credits in the freight item except in the case of a few special kinds of movement to the United States border. Earnings from in-transit traffic are dependent upon factors external to Canada, such as economic conditions in the United States and the foreign trade of that country. Then, too, the extent to which Canadian vessels are employed in the export trade influences the credits entered in the freight item for ocean shipping, and the expenditures in Canada of British and foreign ships are influenced by other factors as well as the Canadian export trade to other countries.

XXIII. SUMMARY TABLE—DEBITS ON FREIGHT ACCOUNT

(In millions of dollars)

Year	Inland Freight		Total Payments Inland Freight via U.S. Border	Ocean Shipping Old Method (Net)	Total Payments
	Coal Imports	Other Imports			
1926.....	37.1	37.9	75.0	30.9	105.9
1927.....	34.6	39.2	73.8	35.2	109.0
1928.....	34.2	47.0	81.2	34.1	115.3
1929.....	38.0	52.7	90.7	39.7	130.4
1930.....	31.2	39.9	71.1	31.4	102.5
1931.....	28.4	26.2	54.6	24.1	78.7
1932.....	25.3	16.6	41.9	24.0	65.9
1933.....	24.2	14.8	39.0	26.8	65.8
1934.....	28.7	18.3	47.0	32.3	79.3
				New Method Gross	
1935.....	22.0	19.1	41.1	41.2	82.3
1936.....	25.1	19.9	45.0	53.0	98.0
1937.....	30.3	20.9	51.2	86.0	137.2

XXIV. SUMMARY TABLE—CREDITS ON FREIGHT ACCOUNT

(In millions of dollars)

Year	Inland Freight			Ocean Shipping Old Method (Net)	Total Receipts
	Non-Grain Exports	Grain Exports n.o.p. (Net)	In-transit Traffic		
1926.....	44.6	4.9	31.3	15.6	96.4
1927.....	44.0	4.8	35.3	12.7	96.8
1928.....	44.1	3.7	36.0	12.1	95.9
1929.....	43.1	2.7	36.2	9.3	91.3
1930.....	34.5	1.5	28.5	5.8	70.3
1931.....	24.4	1.5	23.6	4.6	54.1
1932.....	17.3	0.6	16.6	3.5	38.0
1933.....	21.4	0.9	16.7	4.7	43.7
1934.....	25.6	1.6	18.6	5.6	51.4
				New Method Gross	
1935.....	28.6	0.7	18.9	20.0	68.2
1936.....	34.2	1.8	21.0	23.2	80.2
1937.....	37.6	1.5	22.6	50.0	111.7

CHAPTER XIII

Interest and Dividend Receipts and Payments

Since Canada is a debtor country, interest and dividend payments must be made to the United Kingdom, the United States and other countries. In view of a British and foreign investment in Canada of approximately \$7,000 million, the annual interest and dividend bill is a very heavy one. It is offset in part by the inward flow of interest and dividends from Canadian investments in other countries. From 1926 to 1937 the debits and credits on interest and dividends account were as follows:—

XXV.—INTEREST AND DIVIDENDS PAID ON BRITISH AND FOREIGN INVESTMENTS IN CANADA AND INTEREST AND DIVIDENDS RECEIVED ON CANADIAN INVESTMENTS IN OTHER COUNTRIES, 1926-1937

(In millions of dollars)

Year	Payments				Receipts				Net Payments (—) or Net Receipts (+)			
	Total	To U.K.	To U.S.A.	To Other Countries	Total	From U.K.	From U.S.A.	From Other Countries	Total	U.K.	U.S.A.	Other Countries
1926.....	240.0	97.0	138.4	4.6	30.5	0.3	12.3	17.9	-209.5	- 96.7	-126.1	+ 13.3
1927.....	257.3	101.0	151.2	5.1	39.2	0.3	16.3	22.6	-218.1	-100.7	-134.9	+ 17.5
1928.....	273.9	99.6	168.6	5.7	47.4	0.5	20.3	26.6	-226.5	- 99.1	-148.3	+ 20.9
1929.....	321.8	112.9	202.3	6.6	61.7	0.4	29.5	31.8	-260.1	-112.5	-172.8	+ 25.2
1930.....	348.1	115.4	224.9	7.8	59.5	0.4	27.5	31.6	-288.6	-115.0	-197.4	+ 23.8
1931.....	330.1	102.2	221.1	6.8	50.3	0.3	22.7	27.3	-279.8	-101.9	-198.4	+ 20.5
1932.....	301.2	91.0	204.5	5.7	39.4	0.3	16.2	22.9	-261.8	- 90.7	-188.3	+ 17.2
1933.....	263.3	72.1	187.6	3.6	39.0	0.3	15.2	23.5	-224.3	- 71.8	-172.4	+ 19.9
1934.....	267.0	74.7	188.7	3.6	55.4	0.4	17.5	37.5	-211.6	- 74.3	-171.2	+ 33.9
1935.....	270.6	76.2	190.1	4.3	62.0	0.5	19.5	42.0	-208.6	- 75.7	-170.6	+ 37.7
1936.....	310.0	83.7	221.6	4.7	76.2	0.5	29.5	46.2	-233.8	- 83.2	-192.1	+ 41.5
1937*.....	325.0	88.3	231.0	5.7	78.8	0.3	30.8	47.7	-246.2	- 88.0	-200.2	+ 42.0

*Provisional.

In the following statements the Interest and Dividend Payments are shown separately.

XXVI.—PAYMENTS OF INTEREST ON CANADIAN BONDS OWNED OUTSIDE OF CANADA

(In millions of dollars)

Year	Total	To U.K.	To U.S.A.	To Other Countries
1926.....	145.0	62.0	82.4	0.6
1927.....	151.3	62.5	88.2	0.6
1928.....	158.9	61.6	96.6	0.7
1929.....	163.8	61.9	101.3	0.6
1930.....	171.1	60.4	109.9	0.8
1931.....	180.1	58.2	121.1	0.8
1932.....	171.2	57.0	113.5	0.7
1933.....	168.3	55.1	112.6	0.6
1934.....	167.0	56.7	109.7	0.6
1935.....	155.6	55.7	99.1	0.8
1936.....	154.9	55.5	98.7	0.7
1937*.....	150.0	55.0	94.3	0.7

*Provisional.

XXVII.—PAYMENTS OF DIVIDENDS ON CANADIAN SECURITIES OWNED OUTSIDE OF CANADA

(In millions of dollars)

Year	Total	To U.K.	To U.S.A.	To Other Countries
1926.....	95.0	35.0	56.0	4.0
1927.....	106.0	38.5	63.0	4.5
1928.....	115.0	38.0	72.0	5.0
1929.....	158.0	51.0	101.0	6.0
1930.....	177.0	55.0	115.0	7.0
1931.....	150.0	44.0	100.0	6.0
1932.....	130.0	34.0	91.0	5.0
1933.....	95.0	17.0	75.0	3.0
1934.....	100.0	18.0	79.0	3.0
1935.....	115.0	20.5	91.0	3.5
1936.....	155.1	28.2	122.9	4.0
1937*.....	175.0	33.3	136.7	5.0

* Provisional.

An analysis of interest payments on bonds held outside of Canada by groups of borrowers is given in Table 12. With regard to interest paid to bondholders in the United Kingdom and the United States, it should be pointed out that this does not represent the sterling or United States exchange purchased by the borrowers. Because of the large amount of Canadian bonds outstanding that have options of payment in more than one currency, the foreign exchange requirements of the debtor governments and corporations are frequently greater than the amounts of interest received by bondholders residing outside of Canada. The amounts of interest paid to bondholders abroad, then, should be regarded as the net demand for foreign exchange arising from the servicing of Canadian bonds held abroad, rather than as an indication of the foreign exchange commitments of the borrowers, as there are offsetting transactions when Canadian bondholders collect interest on Canadian bonds in foreign currencies and later buy Canadian funds. Furthermore, some bonds payable in Canadian currency are held outside of Canada. When the interest is transferred abroad there is a demand for foreign exchange even though the debtor is free of such an obligation. One qualification regarding the comments above on the net demand for foreign exchange applies, however. In the years between 1931 and 1933 when there were substantial discounts on the Canadian dollar, the premium paid by Canadian borrowers on foreign exchange has not been included in the interest item. Premiums or discounts on exchange are taken account of in a special item of the current account in the years between 1931 and 1933.

Method of Calculating Payments

Interest payments are calculated from the Bureau's individual records of all Canadian bond issues which are held in whole or in part in other countries. These records are generally based on the original geographical distribution of the issues, although for most corporation issues more recent information has been reported by the corporations themselves. Consequently, the resultant interest totals would be inaccurate to the extent that the issues had been subject to international purchase and sale during the interval which has elapsed since their original distribution. Two checks, however, are now available. One arises through the monthly return made by all Canadian investment dealers, stock exchanges, chartered banks and other financial institutions. A sample of the details available from data on sales and purchases of securities is shown in Tables 23 and 24.

The second check is information made available by financial institutions in the United Kingdom. This consists of lists of bonds, the interest on which is payable either in sterling or optionally in sterling or other currencies. The amount of interest paid to non-residents of Britain is shown, hence the amount of the issue still owned in the United Kingdom can be deduced.

With regard to dividend payments, an annual return is made to the Bureau by all Canadian companies which have any of their common or preference stock owned in other countries. Since records are also kept of the proportion of such securities owned in other countries (United Kingdom, United States, All Other Countries) it is possible to deduce the total amount paid abroad.

A second source of information is the Income Tax Branch of the Department of National Revenue. Canadian corporations must report annually to the Income Tax authorities the amount of dividends paid and must furnish, among other details, the amount paid to non-residents of Canada. This information gives a larger total than that obtained through the Bureau inquiry but certain deductions must be made from it to allow for items which the Bureau does not include in its balance of payments statement. Among these are stock dividends and dividends paid by corporations whose head office is in Canada but whose operations are in another country. The latter, when controlled by Canadians, are classified by the Bureau as Canadian direct investments abroad (Canadian branch and subsidiary companies in other countries) and any dividends which come into Canada are entered as a receipt.

Besides the interest and dividend payments which are included in the balance of payments item thus designated, there are payments which are included in other items of the statement. That is to say, the interest and dividend item does not include all the payments which may properly come under this head and which are entered somewhere or other in the balance of payments statement. These arise principally through the operations of branch plants in Canada and the remittances of certain companies, such as trust companies, to their clients abroad.

A considerable number of American branch plants located in Canada take out a licence to do business in Canada and do not become incorporated; therefore, they have no stock issue and do not declare dividends. Remittances to the United States, in such cases, are in the nature of profit remittances. Trust companies and other financial concerns may hold Canadian securities as nominees for non-residents and remit the dividends abroad. The nature of the returns received from these companies is such that it is impossible to separate the profits, dividends, and interest from other capital movements. They are, therefore, included in the items dealing with branch plants, trust companies, etc., in the capital account of the balance of payments statement. Further discussion of transactions such as these will be found in the chapters dealing with capital movements.

RECEIPTS OF INTEREST AND DIVIDENDS

These arise through the investments of Canadians in other countries and can be best described by dealing with each of the main categories of investment. The first class, Canadian government credits, have not yielded anything in the way of interest receipts since 1931 until the fiscal year 1937.

No interest or dividend receipts have been included for the second item, estimated net assets of Canadian banks outside of Canada. The financial relationship between the head offices of Canadian banks and their branches in other countries does not give rise to periodic receipts in Canada of interest or dividends on the investment abroad; nor has it been found possible to ascertain the rate of profit in such branches. In any event, the situation is probably such

that whatever profits are made enter into the assets abroad. If this is so, any addition to net assets abroad would be partly accounted for by profit and the record of the movement of capital out of Canada would be too large by the amount of profit. More data are necessary before this item can be clarified.

In connection with foreign securities held in Canada by Canadian insurance companies, a unique situation exists. In a great many cases the interest and dividends due on such securities do not come into Canada but are lodged in London, New York or some other centre outside Canada. It is not possible to ascertain the amounts so affected because interest and dividends are lumped together with other funds in the records of insurance companies. Where interest and dividends are known to be remitted to Canada they are included in the interest and dividends item. The residue is accounted for in the item of the capital account dealing with insurance. A special annual return furnished by these companies shows the actual transfers of funds into or out of Canada. If some of the interest and dividends due to Canadian head offices and lodged in a foreign centre are eventually transferred to Canada they will be included in the amount shown for insurance funds transferred to Canada.

Yields on direct investments are dealt with in two ways. Where a Canadian branch or subsidiary in another country pays interest or dividends to the Canadian head office, such payments are included in the item covering receipts of interest and dividends. There are cases, however, where the payments are in the nature of remittances of profits, which are difficult to separate from other movements of funds between the branch and the head office. In such cases the amounts shown in the capital account as movement of funds arising through branch plant transactions will include sums which are profits and which properly belong to the interest and dividend item in the current account. In the case of some Canadian direct investments abroad, interest credited to parent companies in Canada is entered in this item in order that the amounts will partly offset advances to the subsidiaries by the Canadian companies appearing in the capital account of the balance of payments. Dividends received by one Canadian company from its subsidiary in South America are entered as credits in the interest and dividend item in order to offset the debits arising from the payment of dividends by the Canadian company to its parent company in the United States.

Miscellaneous investments constitute the largest item of Canadian investments in other countries. In reckoning interest and dividend payments on these, recent investigations by the Finance and Investment Division of the Bureau of Foreign and Domestic Commerce at Washington have furnished a basis for calculating the item in so far as Canadian investments in the United States are concerned. A census was taken of foreign portfolio investments and earnings thereon. As a result of this undertaking, very reliable information was made available for Canada.

As regards Canadian miscellaneous investments in countries other than the United States, there is more difficulty. These are largely in South American and other foreign bonds, many of which are in default in whole or in part. However, a careful study is made of the various issues involved and a weighted index of interest rates, based on all the information available, is used. In this group, also, are included Canadian holdings of the stocks of Canadian companies located abroad. The dividends declared by such companies are a matter of record and can be applied to the estimated holdings of Canadians.

The approximate division of the total receipts into interest and dividends for selected years is shown in statement XXVIII. These two sources of Canadian income have shown divergent trends between 1928 and 1936. While interest received has declined from \$22.1 million in 1928 to \$13.3 million in

1936, receipts of dividends have expanded from \$25·3 million to \$62·9 million. The contraction in interest is, of course, due principally to the large number of foreign bond issues in default. The growth in total dividends received since 1928 is the result of larger holdings of United States stocks by Canadians in 1928 and subsequent years, and heavier dividend payments by the foreign subsidiaries of Canadian companies especially since 1934.

XXVIII.—ESTIMATED RECEIPTS OF INTEREST AND DIVIDENDS FROM CANADIAN INVESTMENTS ABROAD, 1928, 1933, 1936

(In millions of dollars)

Year	Interest	Dividends	Total
1928.....	22·1	25·3	47·4
1933.....	13·1	25·9	39·0
1936.....	13·3	62·9	76·2

CHAPTER XIV

Remaining Items of the Current Account

Several less important items in the current account remain to be discussed. These will be briefly dealt with in this chapter.

REMITTANCES OF IMMIGRANTS AND EMIGRANTS

Considerable sums of money are mailed by immigrants in Canada to friends and relatives abroad. In many cases, friends have assisted the immigrant with a loan and the remittances represent repayment. This factor, of course, has been of decreasing importance in recent years. At Christmas, the traditional gifts may take the form of money and during years of depression those more fortunately situated in Canada may have helped their needy relatives abroad. There is, of course, a reverse movement of funds from Canadian emigrants (mainly in the United States) into Canada.

It has not been possible to obtain any direct information as to the sums of money thus remitted or received. A large proportion of the remittances probably will be made by the simplest method, that of the post office money order. In addition, of course, remittances are made through the agencies of banks and express companies, who have developed the business of foreign remittances very energetically, and some currency will be sent through the mail. It is impossible even to guess at the volume remitted through each of these various agencies.

For purposes of estimate, the arbitrary assumption has been made that the sums remitted by immigrants through these non-post-office channels is equal to the amount of money order remittances arising out of commercial transactions (small purchases abroad, etc.). That is to say, by this device of substitution, totals of post office money order remittances are taken as equivalent to the total sums transferred abroad by immigrants in Canada and remitted here by Canadian emigrants abroad. Money order statistics by fiscal years are adjusted to calendar years for the purpose of the balance of payments statement.

But as recent studies have led to the conclusion that the figures for immigrant remittances reached by the method described above are too low, a round sum of about 10 million dollars in most years has been added to account for remittances through other channels than postal money orders. Because it is known that the practice of certain groups of immigrants is to remit through the banks and transportation companies, remittances to countries other than the United Kingdom and United States have been arbitrarily increased in this manner. It appears that the arbitrary device of substitution is not as applicable to remittances to foreign overseas countries since total postal money order business with them is small.

EXPENDITURES OF GOVERNMENTS

This item comprises on the "debit" side expenses incurred abroad incidental to the operations of Canadian government departments and includes, *inter alia*: the operation of Canadian legations, grants to the League of Nations and other expenses connected therewith, advertising and exhibition expenditures, and the maintenance of immigration and commercial intelligence services abroad. The items are extracted from the relevant sections of the report of the Auditor-General. In addition, the payment of pensions to persons resident in the United Kingdom, the United States and elsewhere is included in the above heading, details being obtained from the Board of Pensions Commissioners for Canada.

This item amounts to about eleven million dollars annually. Expenditures in Canada by British and foreign governments on account of consular and diplomatic services and the like, and by British and other Ministries of Pensions, provide a contra item. These figures, of course, do not include interest on government debt paid or received from abroad since this is provided for in the specific interest and dividend item of the current account. Supplies purchased abroad are similarly excluded (with some exceptions) because of their inclusion in merchandise imports.

British and foreign consular and commercial services in Canada were communicated with and a request made for particulars regarding expenditures. From most of these the data were obtained and an estimate was made to cover the balance. Particulars regarding pension payments in Canada and allied expenses are obtained from the British Ministry of Pensions and from the United States Legation.

EDUCATIONAL, CHARITABLE AND MISSIONARY CONTRIBUTIONS

Canadian colleges and research institutions receive grants from British and American endowments, notably from the Carnegie and Rockefeller foundations; religious institutions in Canada receive contributions from parent bodies and others abroad. On the other hand, missionary services are maintained abroad by the contributions of Canadian churches.

It is difficult to estimate the sum total of such remittances and receipts because of the great number of organizations which contribute. A circular is sent annually to religious organizations, educational institutions, and to other sources likely to have information. With these returns as a basis, an estimate is made.

ADVERTISING RECEIPTS AND EXPENDITURES

Canadian trade statistics show the amount of advertising materials imported into this country but, of course, no published record is available as to the sums received by Canadian newspapers and other advertising media on account of services performed in Canada for British and foreign advertisers. That the amount of such advertisement is fairly considerable cannot be doubted.

It is believed that the bulk of foreign advertising in Canada is undertaken through the medium of newspapers and magazines, although billboards, radio and street car signs also receive some foreign revenue. In this connection, it may be noted that the advertising expenses in Canada of American branch plants do not necessarily give rise to revenue from abroad. They usually constitute part of the Canadian concern's operating expenses.

Questionnaires are sent annually to newspapers, magazines and other periodicals, to advertising agencies, to the various governments, to railways, exhibitions, etc., asking for information concerning advertising receipts and expenditures.

MOTION PICTURE EARNINGS AND PAYMENTS

There are some 1,100 moving picture theatres in Canada, all making use of imported films. Some pictures are paid for outright, others are handled on a sort of profit-sharing basis, and a small portion of payments (possibly 10 per cent) is in the form of royalties.

These earnings and payments for motion picture films involve remittances to Great Britain, the United States and other countries. On the basis of the percentage of feature films used in Canadian theatres in 1936 it is estimated that about 90 per cent of the remittances went to the United States, 5 per cent to Great Britain and 5 per cent to France. Estimates are made with the assistance of such expert advice as that of Motion Picture Distributors and Exhibitors of Canada. For 1937 the estimate was a payment of \$4.5 million.

CAPITAL OF IMMIGRANTS AND EMIGRANTS

This item refers to the amount of monetary capital brought into Canada by immigrants and taken out by emigrants. As no official record is kept of this item when the settler enters the country or when the emigrant leaves it, some method of estimation must be devised. The method adopted here is to estimate the per capita amount of capital brought into or taken out of the country by the several classes of immigrants and emigrants (by country of origin or destination) and to multiply these amounts by the corresponding numbers of people involved.

IMMIGRANTS INTO CANADA

Immigrants into Canada are classified in the following statement:

XXIX.—IMMIGRANTS ENTERING CANADA, 1926-1937

Year	Immigrant Arrivals from—			Total
	United Kingdom	United States	Other Countries	
<i>Fiscal Years ending March 31st—</i>				
1926.....	37,030	18,778	40,256	96,064
1927.....	49,784	21,025	73,182	143,991
1928.....	50,872	25,007	75,718	151,597
1929.....	58,880	30,560	78,282	167,722
1930.....	64,082	30,727	68,479	163,288
1931.....	27,584	24,280	36,359	88,223
<i>Calendar Years—</i>				
1931.....	7,678	15,195	4,657	27,530
1932.....	3,327	13,709	3,555	20,591
1933.....	2,304	8,500	3,578	14,382
1934.....	2,166	6,071	4,239	12,476
1935.....	2,103	5,291	3,883	11,277
1936.....	2,197	4,876	4,570	11,643
1937.....	2,859	5,555	6,687	15,101

A movement not shown in the immigration figures is that of returned Canadians who originally left Canada to reside in the United States and who on returning to Canada declared their intentions of resuming their residence in this country. Since the statistics include only those who have been in the United States for more than six months, such returning Canadians may be considered as bringing in capital, the result of their earnings in the United States, in much the same manner as immigrants into Canada from that country.

XXX. CANADIANS RETURNING FROM THE UNITED STATES 1926-1937

Fiscal Years ending March 31st—

1926.....	47,221
1927.....	56,957
1928.....	39,887
1929.....	33,797
1930.....	29,830
1931.....	30,209

Calendar Years—

1931.....	20,352
1932.....	18,220
1933.....	10,209
1934.....	7,272
1935.....	6,378
1936.....	5,168
1937.....	5,167

CAPITAL BROUGHT IN BY IMMIGRANTS

For purposes of estimate, the fiscal year statistics from 1926 to 1931 of immigrants and returning Canadians are adjusted to a calendar year basis on the assumption of equal monthly distribution. Since 1931, the data are available on the calendar year basis. The next task is to estimate the amount of cash which each class of immigrant shown in the above statements may be said to import. In the first place, it must be remembered that, of the immigrants properly so-called, slightly less than 45 per cent of the total in recent years consisted of adult women and children under 14, the effect of which would be to reduce any estimate of per capita imports made on the basis of the number of male immigrants. It is also certain that, of the immigrants from Great Britain and the continent of Europe, many had their travelling expenses in Canada paid by relatives already here and some had them paid by the various settlement or charitable agencies in this country.

Taking all these factors into account, and after making comparison with the estimates used on former occasions (notably those of Prof. Viner in respect to the period 1900-1913, and Cost of Living Report 1914), it has seemed reasonable to take the following as typical of the per capita import of capital of immigrants by country of origin: Great Britain, \$50; United States (farmers and farm labourers), \$500; other United States immigrants, \$100; Canadians returning from the United States, \$100; other countries, \$25.

The explanation of the large sum assigned to farmer immigrants from the United States is that this estimate must include, in many of such cases, an amount representing the proceeds of sale of farms and farm buildings in the United States, whence they came with some of their live stock and implements to buy cheaper land in Canada.

Totals shown in Table 13 are carried into the balance of payments as an invisible export, i.e., a receipt of foreign funds.

CAPITAL TAKEN OUT BY EMIGRANTS

No official statistics of emigration from Canada are kept, but it is possible to make a reasonable calculation as to its volume by the use of the British and United States official statistics relating to immigration from Canada. The sources of information are given in the footnotes to the tables. As in the similar case of returning Canadians, whom we included in the immigration total, it has been decided to include in the statistics of emigration the numbers of United States citizens returning to that country permanently, being former residents of Canada.

Statistics of emigration present peculiar difficulties, particularly in the case of the movement across the Canadian-United States boundary, but it is believed that Table 14 indicates sufficiently the variations in the movement.

CAPITAL TAKEN OUT BY EMIGRANTS PER CAPITA

It will be seen in Table 14 that the greater part of the emigration movement was to the United States, in the earlier years. It may be assumed that a considerable share of the total is made up of younger Canadians seeking more remunerative employment across the border, and of some Canadians and former United States residents who have met failure and unemployment in Canada. Also, rather less than 40 per cent of the emigrants to the United States in 1930 were listed as having no occupation, largely women and children, and only slightly more than 10 per cent of the total were farmers and members of the professional and commercial classes who might be expected to take with them larger amounts of capital comparable with that assumed to be brought in by farmer immigrants from the United States.

In view of these considerations, it is considered that \$125 per capita is a reasonable estimate of the amount of money taken out of Canada by all emigrants.* But when the numbers of deportations have been large, deductions have been made from the numbers of emigrants. The resulting transfers of funds are shown in Table 15.

EARNINGS OF RESIDENTS OF CANADA EMPLOYED IN THE UNITED STATES AND
RESIDENTS OF THE UNITED STATES EMPLOYED IN CANADA

International transfers of purchasing power arising from the earnings of residents of Canada or the United States from employment in the neighbouring country are a more important item of the balance of payments statements for the years prior to 1931 than for recent years. The automobile workers residing in Windsor and other communities in Canada who were on the payrolls of Detroit factories provide one of the best illustrations of this form of invisible earning. In the depression years the number of international commuters dropped very sharply and there have been administrative measures acting since then towards keeping their numbers from rising.

Immigration statistics are available for the years since 1932, showing the numbers of residents of each country in the habit of crossing the border regularly in connection with their employment. For the years before 1932 it was necessary to estimate the total number of commuters on the basis of the number in the Detroit-Windsor region on the assumption that the percentage which the latter represented of the total in those years was approximately the same as the percentage in 1932 and subsequent years for which complete information is available. The average expenditures applied to the number of commuters in each year are of necessity rather arbitrary and have been varied in accordance with general changes in incomes during the period. The average earnings taken as representative for residents of Canada working in the United States were selected after a study of the occupations of the commuters in 1935 and are considerably lower than the average earnings applied to the number of residents of the United States employed in Canada as the latter group includes more employees in the higher-salaried classes.

It should be pointed out that most international exchanges of professional services are not included in the estimates under discussion. These are offsetting to some extent and, in any event, are provided for elsewhere.

XXXI. ESTIMATED EARNINGS OF INTERNATIONAL COMMUTERS 1926-1937

(In millions of dollars)

Year	Earnings of Residents of Canada Employed in the United States	Earnings of Residents of the United States Em- ployed in Canada
1926.....	20.9	3.6
1927.....	22.8	3.6
1928.....	20.9	3.6
1929.....	14.9	3.8
1930.....	10.3	3.6
1931.....	6.0	2.8
1932.....	3.7	1.4
1933.....	3.1	0.7
1934.....	3.3	0.7
1935.....	3.8	1.5
1936.....	3.6	1.7
1937.....	4.9	1.7

* This estimate is roughly equal to that adopted by Viner—"Canada's Balance of International Indebtedness 1900-1913", allowing for the alterations in the general price level in the intervening period.

CHAPTER XV

The Capital Account

The tripartite character of the balance of payments study has been referred to elsewhere. The statements setting forth the balance of international indebtedness and the current account of the balance of payments have already been described. The next six chapters of the report describe the various groups of capital movement between Canada and other countries that have been analyzed in the capital account of the Canadian balance of payments.

While the balancing item of the current account reflects the net movement of capital its accuracy is limited by the degree of completeness and precision attained in the estimates of the current account items. A further limitation lies in the fact that at best it is only a measure of the net movement of capital. The great diversity and large volume of movements of capital between Canada and other countries will be made apparent in the chapters that follow.

By analyzing in detail the movement of capital the capital account accomplishes a dual function. It indicates the general significance of capital movements in the foreign exchange market and accordingly, along with the current account, throws light upon the background of transactions upon which the foreign exchange value of the Canadian dollar is dependent. It also makes it possible to appraise the effects of the movements of capital, during any period, upon the Canadian balance of international indebtedness.

The potential effects of capital movements upon the Canadian economy may be appreciated only by studying the volume and character of the various offsetting movements, for although the net movement of capital during a period may be relatively small, the significant changes that the gross movements have upon the composition of the foreign assets and liabilities of Canada may be considerable. Obviously it is most important to know the character of, for example, inward movements of capital. Are they increasing Canadian contractual liabilities abroad or are they represented by "equity" investments in Canadian industry? In the latter case, are the inflows of capital for the development of companies controlled by external capital, or are they minority investments in Canadian stocks? Does the initiative appear to come from the borrower or the lender? Is the investment likely to be of a stable character or is it subject to sudden withdrawal? Or is the inflow of capital the result of the liquidation of Canadian assets abroad. Likewise, somewhat comparable considerations apply to exports of capital. In short, the detailed analysis of capital movements shown in the capital account is essential if their potential effects upon the Canadian economy are to be fully appreciated.

The broad distinction between transactions appearing in the current account and those appearing in the capital account lies, of course, in the fact that the former group represent payments for current purchases of goods or services, whereas the latter group are on capital account and usually reflect changes in either Canada's external assets or her external liabilities. All such changes, however, do not give rise to movements of capital. Changes in the value of international investments are often the result of such internal causes as reappraisals of assets, reinvestments of profits, etc., that are not reflected by movements of capital of significance to the balance of payments. Neither do all transactions entered in the capital account produce discernible changes in external assets or

liabilities. In some cases entries in the capital account for the purpose of offsetting entries elsewhere in the statement are unavoidable, but, by and large, transactions in the capital account reflect purchases or sales of foreign exchange and changes in foreign assets and liabilities, although some of these latter may be obscure and difficult to distinguish.

A fairly sharp distinction is frequently drawn in theory between the function and significance of long-term capital movements representing investment and the short-term changes in indebtedness that act as readjusting agents. The capital account of the Canadian balance of payments, it will be observed, does not segregate long and short-term transactions. In practice it has been found that the distinction between long and short-term capital transactions is not always clear-cut. In the following chapters dealing with particular groups of capital movement sufficient description is given of detailed transactions to indicate their diverse and often indeterminate character. In general, however, the capital movements resulting from the sale of new issues of Canadian securities abroad and their redemption are connected with long term investment. Less uniform characteristics accompany the other groups of capital movements, the transactions often being very diverse. Many of the changes in external banking assets have been short-term equilibrating fluctuations, while others display a different character. On the other hand many of the sales and purchases of outstanding securities definitely reflect long-term investment as do some of the capital movements connected with direct investments. But some of the short-term capital transactions of special significance to the Canadian balance of payments also arise from the international trade in securities and from the operations of international direct investments. Many of these transactions in particular are unusual and difficult to classify.

In conclusion it might be pointed out that the motivating factors underlying many capital movements are rather complex. While some capital movements arising from contractual obligations falling due are obligatory, there are less predictable causes at the source of other movements. A wide range of capital movements arise in circumstances where the decision to transfer the capital rests upon purely transitory circumstances in which the transaction appears profitable. But capital transferred in such instances may often become in effect a long-term investment. Psychological factors have important influences upon many capital movements, especially some of those arising from the international trade in securities.

Brief comment on the residual item is appropriate in this chapter. As explained elsewhere, this item is the difference between the balancing items of the current and capital accounts and therefore in theory is a measure of the errors and omissions in the statement. It is difficult to generalize regarding the principal factors believed to be represented by the residual item. While there are some known groups of transactions omitted from the statements, it is probable that generally the residual item is the result of inaccuracies in the more important items of the current and capital accounts rather than of the omission of important items. Then, too, in some years special situations have arisen through unusual circumstances that have created potential sources of error or omission. Unusual situations such as these are often of a transitory character making statistical measurement impracticable, and their relative significance varies in different years.

CAPITAL ACCOUNT 1927-1937

Capital movements between Canada and other countries may be conveniently grouped in four categories for purposes of broad analysis. Movements connected with the sale of new issues of Canadian securities in external markets and with the retirement of securities held abroad are closely related in

their general significance, providing as they do an indication of changes in Canada's contractual liabilities abroad as a result of such operations. Similarly, particular interest is directed to capital movements arising from the international trade in outstanding securities, the volume of which is customarily very heavy. The international trade in securities is of special interest in studying short-term trends in capital movements because of its large volume and the sudden changes in direction. Important among these security transactions in earlier years were the new issues of foreign bonds sold in Canada by members of selling or underwriting syndicates. The changes in the external assets of the Canadian banks constitute another group of capital movements in which there is particular interest as some such changes, especially in the earlier years of the period shown, were closely related to monetary developments, while, customarily, fluctuations in external banking assets are among the factors acting to offset temporary changes in the balance of payments. The remaining capital movements shown as a group are possibly more amorphous in character. They are mainly the result of the activities of companies operating on an international scale such as insurance companies, Canadian companies with direct investments abroad and concerns in Canada owned or controlled in other countries, and they reflect both long-term and short-term transactions.

As data on gross movements of capital between Canada and other countries are less complete for the earlier years, it would be misleading to compare the total debits and credits on capital account during the period. Even in recent years, for purposes of simplicity, only the net movement is shown for the important item "Net Capital Transactions of International Direct Investments, etc.," although gross movements are very substantial. Then, for some types of short-term transactions the net changes in assets or liabilities are the only data available. For purposes of general analysis it is simpler to refer to the net movements in the principal capital items rather than the gross movements, although considerable detail on these is available in various tables in the report. It may suffice to remark that customarily gross capital movements are very heavy and unquestionably are the source of a large proportion of the dealings in foreign exchange between Canada and other countries.

The Canadian capital account reveals net inward movements of capital to Canada in only three years (1929, 1930 and 1931) during the period under review. In all other years outflows of capital are shown on balance. The principal source of the inflow of capital in 1929 and 1930 was flotations of new Canadian issues in the United States. In the latter year net credits from new issues were extraordinarily large. Credits from the repatriation of Canadian banking assets abroad were also large in 1929, while other capital movements, those arising from insurance company transactions and direct investments, contributed net credits in each year from 1929 to 1931. The counter-movement of capital in these three years for the purchase by Canadians of United States stocks and foreign bonds and for repurchases of Canadian securities held abroad was on a smaller scale than in earlier years, when it more than offset substantial inflows from the sale of new issues and from banking assets and other capital movements.

Growing outward movement of capital that reappeared in 1932 has been principally the result of large retirements of Canadian securities and the capital movements connected with international direct investments. The latter group was the main source of capital exported in 1932 along with a net outflow of capital arising from repurchases of Canadian securities. In 1933 and later years the volume of retirements along with the virtual cessation of new capital flotations abroad produced very heavy outflows of capital, while outflows of capital resulting from the activities of international direct investments and insurance companies also expanded rapidly. In some recent years

increases in Canadian banking assets abroad also contributed to the outflow of capital, while the international trade in securities generally gave rise to relatively small inflows of capital on balance.

The general effect of the movement of capital upon the Canadian balance of international indebtedness during the period has been somewhat varied. The amount of the funded debt of Canada owned externally rose appreciably in the years up to and including 1930, with accompanying increases in the total annual liabilities for interest of Canadian borrowers, as is reflected in a rise in interest paid on Canadian bonds owned outside of Canada from \$145.0 million in 1926 to \$180.1 million in 1931. This latter amount excludes premiums paid on exchange. Subsequent retirements of externally owned bonds have reduced the annual interest burden to about \$150.0 million in 1937. Canadian investments in the United States and other countries rose rapidly in the years up to and including 1929 mainly through purchases of United States stocks and foreign bonds. While the total holdings of such securities have probably not changed greatly since then, there have been wide swings in the estimated receipts of interest and dividends by Canadians. The estimated interest and dividends received by Canadians on miscellaneous portfolio holdings of foreign stocks and bonds have fluctuated from \$48.6 million in 1929 to \$22.4 million in 1933 and \$43.4 million in 1937. The yield on Canadian direct investments abroad, however, has increased substantially, growing from an estimated \$8.2 million in 1926 to \$34.8 million in 1937. While between 1926 and 1929 Canadian portfolio holdings of foreign securities were increasing, Canadian banking assets abroad were being reduced. It is more difficult to express statistically the effects upon international indebtedness of the very large outflows of capital in recent years connected with international direct investments and insurance companies. In general, however, they have had the effect of reducing Canadian liabilities abroad or increasing Canadian assets abroad.

In brief, the movement of capital between Canada and other countries between 1927 and 1937 has had the general effect of increasing both Canadian assets and liabilities abroad during the earlier years of the period, and, in later years, of reducing Canadian liabilities abroad and increasing Canadian assets abroad. The increase in Canadian investments abroad in the earlier years did not bring with it a rigid income, whereas the increase in foreign holdings of Canadian bonds during the same period did create growing liabilities for the payment of interest by Canadian borrowers. Reductions in contractual liabilities abroad in recent years have materially reduced the amount of interest payments on externally-held bonds, but during the same years dividends paid by companies in Canada owned and controlled abroad have grown, as a result of the large direct investment of capital in Canada before the depression and the growth in incomes accompanying recovery.

CHAPTER XVI

Sale of New Issues of Canadian Securities Abroad

Capital raised through the sale of new issues of Canadian securities outside of Canada has been the most important source of British and foreign investments in Canada. Imports of capital through these channels have been customarily large, although for a considerable period of years there also has been a substantial offsetting outflow of capital for the retirement of securities owned outside of Canada. In fact, in each year after 1932 the outflow of capital connected with redemptions has exceeded the inflow of capital raised through the sale of new issues. In this chapter only one aspect of such movements will be dealt with, the inflow of capital from the sale of new issues abroad. The net annual outward movements and the related changes in the external indebtedness of Canadian governments, municipalities, and corporations will be appraised in the chapter on retirements which follows.

International movements of capital from the sale of new securities in external capital markets provide one of the most clear-cut illustrations of international lending. The reasons for movements of this kind are apparent. Interest rates in the creditor countries are usually lower than in debtor countries. In the latter group of countries capital is scarce, while in the creditor countries the supply is relatively more abundant. Then opportunities for the investment of capital are likely to be greater in countries undergoing a rapid development.

One aspect of international indebtedness arising from new flotations of securities abroad is its contractual character. Flotations abroad are usually the result of negotiations between debtor and creditor through the medium of an investment dealer. In most flotations in a foreign market the bonds are adapted to the requirements of the foreign market. For instance, they are almost always payable as to both interest and principal in the currency of the creditor. The final agreement is the result of negotiations between debtor and creditor and each party is presumably aware of the terms arrived at.

International agreements of this kind necessarily depend upon stability in purchasing power and in exchange rates if injustice is not to be experienced by one party or the other. Of course internal loans are also subject to the effects of changes in the purchasing power of money. But international loans are open to the additional effects of variations in the rate of exchange between the currencies of the debtor and creditor countries. The terms of payment are at best a safeguard for one party against fluctuations in exchange. They rarely avoid the broader price effects of wide fluctuations in these conditions.

The two principal external capital markets in which Canadian securities are sold are London and New York. The former market was the source of most of Canada's capital imports before the Great War, while most Canadian external loans after the war were floated in New York. Each of these financial centres has a distinct background and practices of its own and a broad outline of the character of each, in the periods when Canadian borrowing was heavy, follows.

Before the war most of the underwriting of foreign securities was done in London. The capital market there was organized for this type of financing and British issuing houses had acquired long experience with the capital issues of foreign borrowers. The issues of British governments and public authorities overseas had privileges under the Trustees Act that improved their borrowing power, and London was the leading source of capital for the Empire. Borrowers

have usually been governments, municipalities, and railways and other public utilities, there having been relatively few issues floated in London for industrial and commercial purposes. In this way the lending by London to overseas borrowers before the war was principally for investments in public undertakings and public utilities which facilitated the production of foodstuffs and raw materials consumed in Great Britain. Capital raised in London by Canada in this period also had this general character, government and railway issues constituting the bulk of the borrowing before the war.

In England, with the exception of very large flotations, an issuing house usually underwrites the entire issue. In this respect the practice contrasts with that followed in New York, where a number of syndicates are often formed in connection with a single issue. The English underwriter markets the issue through retail distributors who are paid a definite commission and who are in touch with the investing public, the underwriters rarely distributing the issue themselves; whereas in the United States the underwriting houses often have facilities for marketing securities as well. Most Canadian securities floated in London have been taken by British and foreign investors, whereas in some flotations in the United States through mixed syndicates of Canadian and American firms substantial parts of the issues have been placed in Canada. The English practice with regard to the market price of the securities also contrasts with the American. If portions of an issue in London are unsubscribed when originally offered the underwriting house is likely to hold them until the market is satisfactory, whereas in New York the syndicates usually have remained in existence for some time until the issues are finally distributed, in order to support the market if this is considered necessary. Efforts are therefore generally made to dispose of the securities as early as possible by canvassing the public, while in England the issues are advertised and the interested investors apply through their brokers.

As is well known, the United States became an exporter of capital on a large scale after the war. The supply of capital available for the purchase of foreign securities was very large and the United States had substantial credit balances on current account making the export of capital possible. Interest rates on long term capital in New York reflected these conditions. Although international comparisons of interest rates are difficult to make, it would seem that generally it was cheaper for foreign borrowers to raise long term capital in New York than in London in the years following the war. This factor was probably the principal reason for the tendency for Canada to borrow in New York instead of London after the war. It should be also noted, that since 1931 there have been various official restrictions upon public borrowing in London.

The practices followed in the flotation of foreign securities in New York differ from those in London as has been already pointed out. Usually, syndicates of investment houses and banks are formed. Sometimes the originating syndicate that deals directly with the borrower sells the issue to another syndicate which in turn may lessen its financial responsibility by the formation of a syndicate of increased membership. Consequently, issues are frequently distributed to the public by a syndicate different from the originating group of houses, although most investment firms in New York have distributing departments of their own.

One aspect of the flotation of Canadian securities in New York requires special attention as it gives rise to difficulties in estimating the amounts of new Canadian issues taken outside of Canada. In the flotation of many issues there have been mixed syndicates of Canadian and American dealers. Often some parts of the underwritten issues were placed in Canada by the Canadian firms. This was especially the case with issues which had the option of payment in Canadian funds.

A description of the procedure and arrangements between joint syndicates of Canadian and United States dealers follows.

"The arrangements between the houses in the two countries were of a very informal nature, though custom tended to stereotype the procedure. Once certain houses had worked together in tendering for and marketing an issue an account was opened which tended, except in unusual circumstances, to bring the same houses together again to handle future issues for the same borrower. Nevertheless, the arrangement did not obligate any firm to continue in the account. If at the consultation arranging for the bidding price for the security the views of one firm could not be reconciled with those of the others, that firm was at liberty to withdraw. It is safe to say that the discussion almost invariably brought about general assent as to terms.

"The associations between United States and Canadian houses developed gradually. It is known that certain Canadian firms had a Canadian staff in some of the United States houses to handle Canadian securities in the over-the-counter trade. In this way strong links with United States houses were formed. This arrangement later gave place to New York branches of the large Canadian investment dealers. Moreover, it became necessary for United States houses to have branches in Canadian cities such as Montreal and Toronto, though since 1931 the number of these has diminished. When the New York market became the source of so much Canadian financing, the associations were developed further, though still informally, to meet the new situation. It became the custom for loans payable in both Canadian and New York funds to be handled by a syndicate including both Canadian and United States houses. One firm either in Canada or the United States, though usually in the United States unless the United States share was small, became manager of the whole account. A sub-manager of the Canadian or United States group, as the case might be, was also appointed. This type of arrangement prevailed also in the Canadian participation in United States and foreign issues. . . .

"In general it may be said that the bonds of Canadian governments and municipalities, including guaranties by such borrowers, were disposed of by public tender, while industrial and utility corporation issues were arranged by negotiation. . . .

"During the period of heavy flotation of Canadian issues in New York the following procedure, though subject to variations, was typical. A Provincial government desiring to raise a loan payable in Canadian and New York funds called for tenders. The investment house which happened to be the continuing manager of a particular group of houses which had an informal arrangement for bidding together for issues of that particular borrower, would communicate with the other United States and Canadian investment firms who were members of the group, and set out the participations arranged for each member for the particular issue. The representatives from each of the member houses would then meet to determine what the group would bid for the issue. Similarly other groups of houses would agree on a bid.

"In large issues the originating group, having purchased an issue, might be desirous of distributing the financial responsibility involved by the formation of a banking syndicate of slightly increased membership. The members of the banking syndicate would then form a selling group which would in turn accept a commitment, thus still further reducing the financial liability of the members of the originating group.

"The selling terms were set out in detail in a letter to selling group members. The highest price was the retail selling price; the lowest was that at which the member of the selling group bought bonds from the originating or banking group. Purchasers of very large amounts received a concession off the retail price. Usually there was also included a list of exempted institutions, which would be specially canvassed by banking group or originating group.

"Following is an example of the actual offering terms in Canada for a Canadian-United States issue:—

Retail price.. . . .	\$98.25
Price to dealers.. . . .	97.75
Price to purchasers of \$25,000 to \$249,000.. . . .	97.75
Price to purchasers of \$250,000 or more.. . . .	97.50
Price to selling group.. . . .	97.25
Price to exempted institutions.. . . .	97.25

"The procedure for marketing corporation securities was substantially the same, except for the fact that due to the complex character of various industrial credits and the wide range of variation which is possible under the terms of corporation securities, as compared with the more or less stereotyped form of securities issued by public borrowers, the issues made by corporations were usually effected by negotiations with the underwriting house, rather than by public tender. In the case of a corporation issue, one large firm might purchase the issue and form a banking syndicate of which it would be a member also. This banking syndicate would purchase the bonds at some advance in price, and then form a selling group, of which firms in the banking syndicate would also be members. This selling group would purchase the bonds from the banking group at another advance in price. In this way, the liability was gradually split and distributed, and the various firms compensated in proportion to their interest in the account."*

Mention should also be made of recent legislative developments in the United States affecting the sale of foreign securities in that country. In this legislation were the following acts: the Banking Act of 1933 which severs the connection between commercial banks and their security "affiliates," the Johnson Act, the Securities Act of 1933, and the Securities Exchange Act of 1934. As a result of the two security acts, more public regulation of the capital markets in the United States has been developed. For example, borrowers selling securities publicly in the United States are required to file very complete registration statements setting forth relevant facts, and liability for the accuracy of data attaches to various of the parties concerned.

SOURCES OF STATISTICAL DATA

Statistics on the amounts of new issues originally sold abroad are at best rather arbitrary approximations in many cases. Some of the difficulties besetting the statistician have already been indicated in the case of optional payment issues which have been underwritten jointly by United States and Canadian houses. There are unescapable difficulties inherent in obtaining the original distribution of ownership of many issues. The determination of what stage in the underwriting and distribution of an issue should be regarded as the point representing original distribution is itself a problem. Considering the relationship between statistics in the capital account in recent years representing sales of new issues abroad and sales and purchases of outstanding securities, the most satisfactory point at which the ownership of a new flotation should be taken is that stage in the underwriting immediately after the wholesale distribution.

*Marshall, Southard and Taylor, *Canadian-American Industry* (the Ryerson Press, Toronto, 1936), pp. 165-168.

In this way international capital movements and changes in ownership arising from retail distribution or from subsequent buying or selling are accounted for through the statistics of the trade in outstanding securities.

In compiling statistics of new issues, especially in the early years of the period covered, it has been necessary to rely for the most part upon data available from various external secondary sources. Often the estimates of the distribution of sale of issues published by different authorities have disagreed. It has, therefore, been necessary in compiling data for the Canadian balance of payments to select the amount considered most accurate. Among the sources employed in the compilation of statistics of new issues have been the following:—

- (1) "Handbook of American Underwriting of Foreign Securities" published by the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce.
- (2) "The Stock Exchange Official Year Book" published annually by Thomas Skinner and Co., Old Broad Street, London.
- (3) Reports of brokers and investment bankers.
- (4) News items and compilations appearing in financial periodicals.
- (5) Correspondence with borrowers. Many corporations supply estimates of the amount of issues held abroad. Municipalities with registered stock also furnish information on the amounts of issues held abroad.
- (6) In recent years, correspondence with heads of syndicates.
- (7) The fact that an issue is payable without option in sterling or in a foreign currency.

Statistics shown in Table 16 have been compiled at the par values and in Canadian dollars. When entered in the capital account of the balance of payments, adjustments have been made in the aggregate to allow for premiums or discounts at which issues have been sold. Commissions and other costs of flotations abroad not already included in calculating the proceeds of the issue received by the borrower are also taken account of. There is an arbitrary element to the net discounts and commissions calculated, particularly in the early years, as the relevant details for the adjustment have not been available for all issues. Another arbitrary element enters the statistics in the case of some corporation issues. This affects the year in which some issues are included. For some corporations, due to the lack of published information, investment data have been calculated only for the ends of corporation fiscal years, which do not always coincide with calendar years. Hence it has been necessary to adjust arbitrarily data regarding certain new issues to make them conform with calendar years. Such arbitrary adjustments have been retained in statistics of new issues.

New issues of bonds resulting from corporation reorganizations have been excluded from the statistics when they are the result of conversions of bonds or stocks already outstanding and held abroad. However, if a new issue connected with a reorganization is floated in a foreign market and the proceeds are used to retire another issue, the new securities are treated as a new issue in the accompanying statistics. Some corporation issues held abroad and privately refinanced abroad by a new issue have not been included in the statistics of new issues.

ANALYSIS OF STATISTICS

The most pronounced characteristics of the data on new issues shown in Table 16 are the heavy concentration in the years from 1927 to 1931 and the predominance of new flotations in the New York market in all years, except in 1933 and 1934 when new issues in London were greater than in New

York. Changes in the tendency for the different borrowers to float issues abroad during the period are also noteworthy although the significance of flotations abroad may be appreciated fully only when data on retirements shown in the following chapter are also considered.

During the period under review new issues of Canadian securities sold abroad have displayed characteristics generally evident for periods of varying duration. Thus in the three years 1927, 1928 and 1929, the borrowings of provincial governments, steam railways and other utilities and corporations constituted the principal part of the total new issues. Dominion Government and municipal flotations abroad were relatively light in the same three years. A large part of the external borrowing in those years was by private enterprises and many corporations acquired foreign liabilities either in this way or through the sale of optional payment bonds in Canada.

The heaviest borrowing took place in the year 1930 when new issues taken outside of Canada totalled \$419·3 million compared with \$312·8 million in the preceding year. A large Dominion Government issue in New York contributed to this larger total, but in 1930 heavier borrowing also characterized provincial and municipal government flotations and also unguaranteed railway issues. At the same time the amount of other corporation issues sold abroad remained substantial. The cumulative result was that 1930 represents the peak in sales of new issues of Canadian bonds abroad in the post-war period. In this connection it is interesting to note that total new foreign issues sold in the United States in 1930 were higher than in 1929, but lower than in each year of the period from 1924 to 1928, according to United States Department of Commerce statistics. New issues of Canadian securities abroad in 1931 dropped to about half the amount recorded in 1930. The largest contractions were in Dominion Government and corporation issues, as provincial, municipal and guaranteed railway issues remained high in 1931.

During the years of heavy borrowing new issue figures by themselves are somewhat misleading as an indication of the amount of new capital raised abroad. In each year retirements of issues owned abroad have offset large amounts of the total new issues sold, and consequently to a considerable extent new issues have been, in effect at least, associated with refinancing operations. Nevertheless, each year between 1927 and 1932 there were on balance imports of capital arising from new issue and retirement operations. This was especially so in the case of corporations and, in some years, of steam railways. Net borrowing by provinces abroad was usually considerably less than the total of new issues of provincial governments would suggest. In contrast to the other borrowers, the Dominion Government was retiring bonds owned abroad each year up to 1930, when the large issue in New York was floated partly to provide funds for bonds maturing in that market early in 1931.

New issues outside of Canada after 1931 have been relatively light and have been exceeded each year by retirements. This tendency for retirements to exceed new issues does not apply to every group of borrowers. New capital raised abroad through the sale of new issues has been practically limited to that arising from the flotations of the Dominion Government. Even in most of these cases there have been direct obligations of the Dominion Government falling due abroad, and, to some extent, the redemption of some externally owned Canadian National issues guaranteed by the Dominion has been financed by direct issues of the Dominion, sometimes sold in New York. New issues abroad in recent years of borrowers other than the Dominion, have been for the most part connected with refinancing.

With regard to the markets in which issues have been floated, most issues have been sold in the United States during the period being examined. As

has already been pointed out, the United States was the principal source of capital raised through external flotations after the war. It will be noted, however, that in some years flotations in London have been substantial. They have not been made consistently by any one borrower or group of borrowers. In only two years during the period, viz., 1933 and 1934, have new issues sold in London exceeded retirements there. In both years new sterling issues of the Dominion Government accounted for the new inflow of capital. In pre-depression years a stiffening of interest rates in New York in 1928 and 1929 may have been an influence in diverting some borrowing to London.

The general significance to the Canadian economy of the heavy inflow of capital through the sale of new issues abroad, which, in the period under review, was concentrated in the four years from 1927 to 1930, has various aspects. As already indicated, the net inflow of capital was principally connected with the sale of provincial issues and of steam railway and other corporation issues. Companies developing hydro-electric power sites were particularly important among the corporation borrowers, although other utilities, newsprint and other industrial producers also raised large amounts of capital in the United States. Much of the capital was therefore employed for the development of the productive resources of Canada, and during the period of investment the stimulating effect of the transfers of purchasing power was experienced. But during these years apparently there were large supplies of capital available in Canada, as the estimated net outflow of Canadian capital up to 1929 was very large. By floating bond issues in the United States at relatively high rates of interest, many of the various governments and corporations increased their own external liabilities as well as the external payments to be met by the Canadian economy as a whole. But it should be noted that, along with this increase in external payments, there has been an increase in the developed productive resources of Canada although to some extent this development has been due to foreign direct investments in "equity" securities as well as to the sale of bonds outside of Canada.

CHAPTER XVII

Redemption of Canadian Securities Owned Abroad

When the large total of outstanding funded debt in Canada is considered, it is to be expected that the volume of retirements in some years would be substantial. This is especially so in recent years in the case of bond issues originally sold in foreign markets, as most of this indebtedness has now been outstanding for a period of years, with the result that there are customarily a considerable number of issues that either fall due for retirement or may be called for redemption should conditions be favourable.

Circumstances connected with redemption operations vary although the distinctions are not always very clear-cut. Among the different types of redemption are maturities, serial, instalment and annuity payments, sinking fund operations, calls of issues either in whole or in part, and repurchases in the open market. Bonds repatriated by borrowers through purchases in the market as well as some sinking fund purchases are recorded in the trade in outstanding securities, if the purchases are executed through brokers, dealers, banks, etc. in Canada. But sinking fund purchases by fiscal agents abroad are not recorded in the trade in securities and are therefore properly included in the retirements item. Repurchases of bonds in foreign markets by borrowers directly through brokers, etc. located abroad also belong to the retirements item.

Perhaps the most logical division that may be made in retirements to bring out their significance to the balance of payments is that between contractual payments of principal like maturities, and voluntary retirements such as issues called for redemption. In practice it is difficult to make this division statistically. The contractual or voluntary aspects are not always the same for the different types of redemption. Nevertheless, for purposes of discussion these broad distinctions exist.

Contractual payments of principal will generally include maturities, sinking fund provisions, and serial, instalment and annuity payments. Some of these payments are more contractual and obligatory than others, although usually they are all contracts in which definite pre-determined obligations of the borrower fall due on certain dates. There are instances, however, where in practice a certain amount of flexibility is permitted in such types of obligation as sinking funds. But, in general, there is a group of principal payments, such as maturities, sinking fund requirements and other contractual payments falling due each year, which are determined in advance by the original contract.

Voluntary redemptions are limited to issues where the option of repayment rests with the borrower, as in the case of callable issues, and to repurchases in the market when the borrower retires part or the whole of an issue by purchase at the market price. The degree to which borrowers take advantage of opportunities to redeem indebtedness depends upon many factors. Cash balances may be available for redemption or the credit of the borrower and general money market conditions may make refinancing desirable, or some external factor may make retirement profitable. For instance, the price of the currency of the creditor country in terms of the currency of the borrower may provide circumstances favourable for retirement of bonds owned abroad. The general level of interest rates in Canada in relation to interest rates elsewhere and to the cost of servicing outstanding issues is also taken into account when borrowers choose to refinance external indebtedness by means of borrowing in Canada.

Retirements, whether contractual or voluntary, must be met either by cash payments or by refinancing arrangements. The latter may be in the form of refunding issues or conversions. Refinancing by means of refunding issues

implies the sale of a new issue or issues of bonds, and for the balance of payments there is of course significance in whether the new issues were sold in Canada or abroad. Conversions in the more limited sense are essentially exchanges of old securities for new, and may be either voluntary or obligatory. In the case of conversions there is less possibility of a change in the nationality of the ownership of the original issue. It is very difficult to classify retirements according to whether or not they reflect external refinancing operations. Often a difference between the date of maturity of old issues and the date of sale of new issues introduces doubts as to the true nature of an operation. The difference between the new issues and retirements of any group of borrowers during any year, as shown in Table 18, provides a valuable indication, however, of the extent to which new capital is being raised abroad or outstanding indebtedness abroad is being paid off by means either of surplus balances or funds obtained from refinancing in Canada.

Retirements of Canadian securities owned abroad have particular significance for the capital account of the Canadian balance of payments. As already noted, the large volume of funded debt owned abroad customarily gives rise to contractual payments of principal each year of considerable proportions which may be augmented by voluntary retirements. The total volume of retirements may fluctuate widely from year to year, and in so far as they are not refinanced by new issues sold abroad the necessary foreign exchange must originate either from surplus credits, from current account transactions or from imports of capital.

Wide fluctuations in the volume of retirements from year to year are due to two factors, viz., to changes in the amounts of issues falling due each year, and to variations in the tendency to make voluntary repayments of principal. The changes in the total issues falling due are matters of chance resulting from circumstances connected with the original sale of the issues. New issues of bonds are usually offered for terms of years in multiples of five years, especially in the case of the longer term issues. As sales of new issues abroad have often been concentrated in certain periods, it is to be expected that the resulting maturities will group larger in some years than in others in so far as the new issues were for common periods of years. Changes in the total amounts of bonds voluntarily retired, as has been noted, depend to a large extent upon financial conditions such as the balance of payments and the state of internal money markets.

This relation of voluntary retirements to the balance of payments has some interesting implications. There is less possibility, for instance, of an issue of Canadian bonds payable in United States currency being called or repurchased when the Canadian dollar is at a discount than there is when it is at a premium. In so far as this is the case, then, there is a tendency for the volume of voluntary retirements to be automatically adjusted to the general condition of the Canadian balance of payments. Of course the cost of raising capital in Canada in relation to the cost of servicing the called issues or to refinancing in a foreign market is also an important factor influencing the volume of voluntary retirements. But in this respect, too, there is usually more possibility of such conditions favourable for refinancing being present when the Canadian dollar is strong than when it is depreciated.

NOTES ON STATISTICAL DATA

The general method of compiling the statistics on total and net retirements shown in Tables 17 to 21 must be outlined to clarify the nature of the information presented. The retirements shown in the tables have been obtained from the bond records showing geographical distribution of ownership. In the case of government bonds, other than municipal registered stock, this has been assumed to be the same as at the time of flotation. More recent information is

available in the records for most corporation bonds and for municipal registered stock. For example, at the end of 1936 the distribution of ownership of 72 per cent of the total amount of corporation bonds outstanding, exclusive of railways, was obtained from the issuing company, distribution of 10 per cent of the total was obtained partly from the company and partly from other sources, while distribution of 18 per cent was obtained entirely from other sources. It is probable that the above percentages apply generally to the retirements in the years under consideration as well.

The dates of retirements used in compiling the tables do not always exactly coincide with the calendar years. In many instances, books of governments and corporations show a decrease in the amount outstanding from year to year of an issue due to mature in a subsequent year without showing the month in which such retirements occurred. If the fiscal year in these cases is other than the calendar year, a retirement made in one calendar year may unavoidably be entered in the records as occurring in the preceding or the succeeding calendar year.

In the case of final maturities of corporation bonds shown in the tables, there is also the possibility that some retirements will be entered in a year adjacent to the calendar year of maturity. This is due to the fact that the detailed data on new issues and retirements are derived from data on annual outstanding indebtedness of corporations, some of which are available only for ends of fiscal years. The item of retirements in the capital account of the annual balance of payments statement has, in recent years, included data adjusted to conform with the calendar years which the statements cover.

In the tables figures for retirements have been taken at the par values in most cases; although in the case of corporation bonds paid off at a large discount the amounts received by the bondholders have been used, and in extreme cases where bondholders have received nothing on or after maturity no retirement has been recorded. Retirements have been valued in Canadian dollars at the par rate of exchange, no allowance being made in the detailed tables for purchases of foreign exchange at a premium or a discount. Purchases for inclusion in sinking funds of government issues owned abroad have been taken only in the case of issues repurchased by issuing governments. It is probable that most purchases of other issues for sinking funds are executed through dealers, brokers, banks, etc., in Canada and reported in the statistics of the international trade in securities.

It should be emphasized that the amounts entered in the capital account of the balance of payments are not the same as the total retirements shown in the detailed tables of retirements. The reason for this is that the amounts in the capital account are selected to represent as closely as possible the movement of funds during the year, while the statistics in the tables are not always coincident with such amounts as they are directly derived from the records of international indebtedness. The amounts in the capital account, for example, include premiums on issues redeemed at a higher price than par. Then, too, since 1934 the item of retirements of the capital account has also included an estimate of the net premium or discount arising from payments of principal in sterling or in United States dollars. Prior to 1934 such amounts were included in a special item of the current account, along with comparable amounts arising from interest payments in foreign currencies. Then, as has been described above, the detailed records of retirements are, for a great many issues, based of necessity upon the original distribution. Whenever possible in recent years the amount actually paid to bondholders residing abroad has been substituted for the original distribution of the issues. As such information, if available at all, usually is obtainable only at the time of retirement, it is obviously not practicable to change

the records of international indebtedness in previous years to conform with the distribution at the time of retirement. In fact, in the case of issues in which there is much short-term trading close to maturity, the distribution of ownership is likely to change considerably in the period just preceding the date of redemption. When this is the case the amount owned abroad at the time of retirement is not likely to be a very close indication of the external ownership in earlier years, although it does measure the capital movement connected with the redemption. Short-term movements of capital arising from international trading in the issue prior to redemption will of course be reflected in the statistics of sales and purchases of outstanding securities. Another reason for differences appearing in recent years in the item of retirements in the capital account is due to the adjustment of corporation retirements to conform with the calendar year statements of the balance of payments. As explained above, there is a slightly arbitrary element in the dates at which investment data are shown, which is unavoidable because of the lack of complete information available in the published statements of some corporations. Difficulties arising from the lack of coincidence between the dates of retirements and of the accompanying movements of funds also occasion special treatment. For instance, retirements paid off early in January may have given rise to movements of funds in the preceding year. When this is known to have been the case the retirements are placed in the capital account of the year in which the funds were remitted, unless the amounts deposited abroad, in anticipation of the retirement, are reflected in the banking statistics entered in the capital account.

ANALYSIS OF TABLES 17-21

Since in each year from 1933 to 1937 retirements of Canadian bonds owned outside Canada have exceeded the amount of new issues sold abroad, it is in this five-year period that most of the interest in retirements is concentrated. Nevertheless, retirements in the earlier years also merit attention, for in each year of the eleven year period covered by the statistical tables total retirements have been substantial, the annual total never being less than the \$96.8 million traced for 1930. The existence of such heavy retirements during the years when total sales of new Canadian issues abroad were especially large suggests the extent to which the large sales of new issues abroad before 1932 were in effect connected with the refinancing of existing external indebtedness. For, although there are special difficulties in the way of compiling statistics to show the refinancing of individual borrowers, from the national point of view there is significance in the extent to which total retirements of Canadian securities owned abroad offset total sales of new issues abroad. It indicates the way in which the external indebtedness of the Canadian economy is changing as a result of the new issue and redemption operations of the issuing governments and corporations. At the same time, of course, the positions of the individual borrowers may be altering in different directions. In the chapter on New Issues, the net inflows of capital arising from the sale of new issues abroad have already been discussed. Attention in this analysis to retirements during the years between 1927 and 1932 when Canada was importing capital on balance through the sale of new issues will be limited to those instances in which borrowers or groups of borrowers were retiring indebtedness abroad on balance.

Thus, each year between 1927 and 1932 there were net outflows of capital to the United Kingdom arising from excesses of retirements of Canadian bonds owned there over sales of new issues in that market. This situation was characteristic of the position of most groups of borrowers in varying degrees during the period. Each year the Dominion Government acquired some of its sterling bonds for sinking funds. Provincial governments also reduced their sterling liabilities as a group, in most years, although sales of new issues in London in 1928 and 1932 were greater than retirements. There were also small retire-

ments of provincial bonds originally sold in France. Municipal governments as a whole reduced their indebtedness in the United Kingdom between 1927 and 1932, as also did Canadian railway companies, although the sale of guaranteed railway bonds in London in 1927 is a notable exception to this tendency. Other Canadian corporations also reduced the amount of their outstanding bonds owned in the United Kingdom during this period, with the exception of the years 1929 and 1930.

Although between 1927 and 1932 total new issues in the United States exceeded retirements, there were years in which some borrowers were retiring indebtedness in the United States on balance. Notable among these was the Dominion Government which redeemed bonds owned in the United States in 1928, 1929 and 1931, although with regard to the latter year it should be noted that the new issue in New York in 1930 was partly for the purpose of meeting retirements in that market in 1931. Provincial governments and municipalities redeemed indebtedness in the United States on balance in 1932, as did also the steam railways, while other corporations did similarly in 1931 as well as in 1932.

In the period from 1933 to 1937, the five years when net retirements of Canadian bonds were especially pronounced, all groups of borrowers reduced net indebtedness abroad with the exception of the Dominion Government in relation to its direct debt. In the case of the latter the indirect guaranteed obligations abroad have been reduced even more. The result of the redemption operations during the five years has been a net reduction of approximately \$447 million in the amount of Canadian bonds owned outside of Canada. The net outflow of capital associated with the redemptions has been even greater, being estimated at about \$490 million. This outflow of capital recorded in the capital account is greater than the reduction in outstanding debt held abroad, for various reasons, as has already been pointed out in the Notes on Statistical Data. Chief among these reasons are the facts that new issues shown in Table 16 are at par values and that the detailed statistics of retirements shown in Tables 17-21 do not incorporate various adjustments to make them conform more closely to the movements of capital involved. Almost all of the \$447 million reduction in indebtedness has been in the retirement of bonds believed to be held in the United States. The net retirement of bonds held in the United States is estimated at \$429 million compared with a reduction of only about \$16 million estimated as held in the United Kingdom. Retirements of bonds originally sold in or known to be held in other overseas countries have been relatively negligible.

Statement XXXII shows the net retirements of bonds of the various groups of borrowers during the five years 1933 to 1937.

XXXII. NET NEW ISSUES (+) OR NET RETIREMENTS (-) OF CANADIAN SECURITIES
ESTIMATED AS OWNED IN THE UNITED STATES AND THE UNITED
KINGDOM, FIVE YEARS, 1933-1937

(In millions of dollars)

Issuers of Securities	Issues Owned in United Kingdom	Issues Owned in United States
Dominion ¹	+ 93.3	+ 49.7
Provincial ¹	- 21.6	- 87.3
Municipal.....	- 16.7	- 59.4
Steam Railways (Guaranteed).....	- 23.2	-142.0
Steam Railways (Unguaranteed).....	- 7.7	- 63.0
Other Corporations.....	- 40.6	-127.1
Total.....	- 16.5	-429.1

¹ Includes Direct and Indirect issues exclusive of steam railway guarantees.

When it is noted that net retirements of guaranteed railway issues totalled \$165.2 million and that almost all of these were issues guaranteed by the Dominion Government, it appears that the net increase in the direct debt of the Dominion through new issues abroad was more than offset by the net reduction in the guaranteed steam railway issues owned abroad. All groups of borrowers therefore reduced their net indebtedness abroad through redemption operations during the five-year period between 1933 and 1937.

While most of the net retirements have been in securities owned in the United States, the redemptions by most borrowers of issues owned in the United Kingdom have also been substantial. The net redemptions of provincial, municipal and corporation issues held in the United Kingdom were greater in total than the net increase in Dominion Government bonds held in the United Kingdom arising from the sale of two issues in London in 1933 and 1934.

For the three years in which the concentrations of net retirements have been heaviest, 1935, 1936 and 1937, tables are shown (19, 20 and 21 respectively) in which analysis is made of the circumstances connected with the redemptions. Of special interest is the flexibility in the voluntary retirements as revealed by the amounts of issues owned abroad which were called for redemption. Although calls in each of the three years were substantial, they were heaviest in 1935, amounting to \$108.9 million, most of which were Canadian National Railway issues guaranteed by the Dominion Government. In 1936 in contrast, most of the \$71.4 million owned abroad of issues which were called in that year were bonds of other corporations as was the principal part of the \$56.8 million owned abroad and called in 1937. Most of the issues called for redemption during the three years and owned outside of Canada were held in the United States. It should be pointed out, however, that the borrowers would not always buy United States funds in connection with these and other redemptions, since many of the issues were payable, at the option of the holder of the bonds, in Canadian funds or sterling.

Maturities, although of varying proportions, represented the largest part of the total retirements in each year, being \$109.5, \$149.2 and \$89.6 million respectively for the years 1935, 1936 and 1937. As a consequence, total retirements in 1935 and 1936 were at about the same level, as larger amounts called in 1935 offset the smaller total of maturities in that year. Serial payments of about \$15 million in each of the three years represent only a small proportion of the total retirements and are, for the most part, payable on issues originally floated in the United States. Retirements under other circumstances have likewise been of relatively small and fairly constant proportions. Sinking fund purchases by issuing organizations, and also repurchases of securities abroad by issuing organizations, constitute an important part of this group.

XXXIII. NET NEW ISSUES (+) OR NET RETIREMENTS (-) OF CANADIAN SECURITIES
ESTIMATED OWNED OUTSIDE OF CANADA, ELEVEN YEARS 1927-1937
(In millions of dollars)

Issuers of Securities	Total Issues Owned Outside of Canada	Issued Owned in United Kingdom	Issues Owned in United States
Dominion ¹	+197.9	+ 71.7	+126.2
Provincial ¹	+ 78.4	- 12.6	+ 92.8
Municipal.....	- 32.7	- 43.8	+ 11.1
Steam Railways (Guaranteed).....	+ 17.4	- 15.8	+ 33.2
Steam Railways (Unguaranteed).....	- 25.8	- 62.7	+ 36.9
Other Corporations.....	+ 43.5	- 54.5	+102.5
Total.....	+278.7	-117.7	+402.7

¹ Includes direct and indirect issues exclusive of steam railway guarantees.

During the eleven-year period shown in Statement XXXIII Canada has increased its foreign liabilities abroad by \$278·7 million as a net result of new issues and retirements of Canadian securities (mostly bonds) owned abroad. As a contrast with this net result from the total operations there was on balance a retirement of about \$118 million of securities owned in the United Kingdom, while new issues in the United States exceeded retirements by over \$400 million.

With the exception of the Dominion Government, all groups of borrowers retired securities owned in the United Kingdom, while all groups raised new capital, on balance, in United States markets during the period. The only two groups of borrowers reducing their net external indebtedness, through the effect of retirements, were municipalities and steam railways, the net retirement of unguaranteed issues of the latter group exceeding the net new issues of guaranteed securities. The sale of new issues of Dominion and provincial government bonds outside of Canada constituted the principal part of the \$278·7 million total of net sales of new issues abroad by Canadian borrowers.

One of the most important effects of the retirements of bonds held abroad has been the decline in interest paid by Canada to creditors in other countries. Interest paid to other countries, exclusive of premiums or discounts resulting from foreign exchange fluctuations, has declined from \$180·1 million in 1931 to \$150·0 million in 1937, as is shown in the chapter on interest and dividends. The retirement of securities owned abroad was the principal factor effecting this reduction. Consequently, annual contractual liabilities for interest have been substantially reduced. As the outstanding indebtedness of some groups of borrowers has also been reduced, potential future retirements are also lower by the amount of the decline in the external indebtedness of those groups. In the case of retirements of debt of corporations in which there are external shareholders, it should be noted that refinancing at lower interest rates in Canada will presumably leave more corporate income available for disbursement as dividends to shareholders outside of Canada. In general the effect of the heavy retirements of externally-owned bonds of Canadian governments and corporations has been to reduce rigid contractual payments abroad, and probably only to a limited extent has it led to some expansion in the more flexible returns on capital, such as dividends.

In certain cases large voluntary retirements of bonds have had the effect of increasing contractual payments of principal in succeeding years if the sinking fund provisions of the remaining bonds are related to the amount of interest on the bonds redeemed. The proportion of bonds with this type of provision to the total funded debt outstanding is diminishing, however, and in any case the contractual payments created in this way will reduce the amounts to be met at maturity.

CHAPTER XVIII

International Trade in Outstanding Securities

In the Canadian balance of payments the international trade in outstanding securities reflects a group of capital movements of prime importance. For the most part, these are transactions executed on stock exchanges or in over-the-counter bond markets and customarily represent a substantial proportion of the transactions on Canadian stock exchanges.

This trade in securities has characteristics distinguishing it from other types of capital movement. Perhaps the most important feature is that the transactions are not, generally, the result of negotiations between debtor and creditor, as is, for instance, the underwriting of new Canadian issues in external capital markets. In contrast they usually represent transactions between creditors in which the nationality of the ownership is changed without any action on the part of the debtor or original issuer of the securities. Usually they are the result of a variety of motives which are created by changing and transitory circumstances. It is apparent then that these transactions are complex in their origins and have special theoretical implications and involved and unpredictable effects upon the balance of payments. Some of these factors will be revealed and clarified by the following description and observation of the trade recorded since 1933.

Influences stimulating the growth in the international trade in securities in recent decades are not peculiar to Canada, although the proximity between the Canadian markets and New York has been an important factor in the trade between Canada and the United States. Developments in modern communications have assisted in making many securities international or at least subject to international trading influences. The widespread operations of some companies have also stimulated international interest in their securities, and the tendency for some investors to diversify stock investments has extended the interests of investors internationally. Many Canadian bonds have options of payment in different currencies, which feature has special attractions for international investors. Such bonds are essentially international securities and trading in them is subject to a wide range of influences.

There are numerous well established channels for international trading in securities. Many of the brokerage firms which are members of the Canadian stock exchanges have facilities for trading on the New York Stock Exchange. A smaller number provide trading facilities on the London and continental stock exchanges. A few firms maintain branch offices in New York and London and even in Continental Europe. A larger number of Canadian brokers have correspondents in New York and wire connections with firms there. There are also United States brokerage houses with branch offices in the principal Canadian cities, which execute a considerable volume of the Canadian transactions in United States securities. Besides the Canadian stock brokerage houses which are members of the stock exchanges, there is the important group of security dealers specializing in bonds and debentures, most of whom belong to the Investment Dealers' Association of Canada. These dealers vary in the range of their activities. Some are security underwriters as well as dealers, while the function of others is limited to that of dealers. With the exception of a few investment houses with branches outside of Canada, the contact of most with outside financial markets is through correspondents in New York or London. The Canadian chartered banks also provide channels through which international transactions in securities may be executed.

At the end of 1937 there were 143 branches or agencies of Canadian banks located in other countries. These in themselves give rise to contacts between Canada and other countries and, as a result, transactions may be executed for customers; but in addition to such transactions there are those on account of the banks themselves in connection with their external assets.

In developing a record for the Canadian balance of payments of these international security transactions, the entire range of agencies engaged in this trade had to be covered. Fortunately, through the co-operation of the Canadian Bankers' Association, the Investment Dealers' Association and the principal stock exchanges in Canada it has been possible to secure monthly reports from these organizations consolidating the trade of their individual members. This has reduced the number of reports that must be received directly from individual firms each month. But, in addition to the above organizations which report for their members, there are the Canadian branches of United States brokerage firms, and a number of Canadian firms which are not members of any of the organizations but which customarily have an appreciable volume of international security transactions. In addition to the returns received each month from the above agencies, an annual report has been received for the years 1935, 1936 and 1937 from all Canadian brokers and security issuers who are not members of the above organizations or whose international trade is not large enough to warrant a monthly report. It has been found, however, that the volume of transactions handled by the large number of firms in this category is not heavy. In 1937 their transactions totalled only several millions of dollars and a considerable part of these were connected with the promotion of Canadian mines.

The organizations and individual firms reporting international security transactions to the Dominion Bureau of Statistics, it will be observed, cover the whole range of brokers, security dealers and issuers, and banks, located in Canada. These agencies provide the trading facilities usually employed in international security transactions in which one of the principals is a resident of Canada. There remains, however, the possibility of Canadian individuals or firms negotiating the purchase or sale of securities directly with an agent or principal resident outside of Canada. It is apparent that this is a less convenient means of executing an international security transaction than the method usually followed of employing a Canadian broker, dealer or bank. It seems probable that most direct transactions with parties in another country would be the transactions of large investors, such as financial institutions with established contacts abroad. Insurance companies and trust companies in Canada make an annual report to the Dominion Bureau of Statistics on their movements of funds between Canada and other countries, as is described in Chapters XIX and XX, and include in these reports any exchange transactions connected with their trade in securities in so far as these international security transactions have not been executed through the medium of a broker, dealer or bank in Canada and, consequently, reported by those agents. In this way the transactions of insurance companies and trust companies that are not reported in the monthly records of the international trade in securities are covered.

Except in the case of industrial companies falling in the categories of British or foreign direct investments in Canada or Canadian direct investments abroad, which report their movements of funds, the buying or selling of securities outside of Canada by Canadian industrial companies is not recorded if executed directly abroad. However, it should be noted that direct repurchases abroad of bonds for retirement by Canadian corporations or governments are covered in the retirements shown in the capital account; and with the possible exception of some Canadian companies with important operations outside

of Canada, it is probable that the portfolios of Canadian industrial companies are made up of Canadian securities, which are acquired or disposed of in Canadian markets. Moreover, in the case of companies with operations abroad, any foreign securities held in portfolios are usually purchased abroad with funds originating abroad from the external operations of the company. Such transactions are not of immediate significance to the Canadian balance of payments, and are properly excluded from the records of capital movements between Canada and other countries.

This same consideration applies to a large group of the security transactions executed in financial markets outside of Canada by the external branches of Canadian insurance companies and chartered banks. The volume of these transactions is very heavy and represents the investment of surplus funds made available from external income or the shifting of foreign assets. Such transactions have no direct relationship to the Canadian balance of payments. As will be shown in the chapter on Insurance Transactions, the income of the foreign branches of Canadian insurance companies is not treated as a credit in the Canadian balance of payments unless it is actually remitted to Canada, so there would be, consequently, no justification in recording purchases of foreign securities by the branches abroad as debits so long as these were paid for with funds abroad and did not give rise to a transfer of funds from Canada.

PRINCIPLES FOLLOWED IN RECORDING TRADE

As has been described above, the organizations and firms reporting the international trade in securities each month represent the principal channels in Canada through which such international transactions are executed. To repeat, they include the Canadian Bankers' Association, the Investment Dealers' Association, the principal Canadian stock exchanges, the Canadian branches of United States brokerage houses, and individual Canadian brokers and dealers, etc., who are not members of the above organizations but who customarily have an international security trade of some significance. But, in addition to these reports received monthly, annual reports are received from the other non-member brokers, dealers, and security issuers as well as from insurance companies and trust companies and firms controlled in other countries. These annual reports include, along with other capital movements, any capital movements which may be connected with international security transactions which have not been executed through the agencies reporting monthly. In this way the broad range of capital movements connected with international security transactions is covered by records.

To make clear the nature of the international security transactions reported each month, it is necessary to outline the principles followed in recording these transactions. As a starting point, the guiding principle used to distinguish a transaction as international is that there must be a change in the nationality of the ownership of the security that is bought or sold. The ownership of the security must be transferred between Canada and another country. As used in this context, the nationality of ownership is meant to convey the country of residence of the owner rather than nationality in the narrower sense. Thus, persons or institutions domiciled or located outside of Canada, at the time of the transaction, are considered non-Canadian and conversely all institutions or individuals of whatever nationality, domiciled or located in Canada at the time of the transaction are classified as Canadian. For example, the branches of Canadian institutions in the United States are considered as American and the branches in Great Britain are considered as British while the branches of United States or British firms in Canada are taken as Canadian.

As stated above, the guiding principle followed is the requirement of a change in the nationality of the ownership of the security rather than the coin-

cidence of a transfer of funds to or from Canada. Thus, when securities purchased from Canada by a resident of another country are held in Canada such transactions are reported as sales, and, if later sold to residents of Canada, are reported as purchases by Canada. Since the annual changes in foreign deposits in Canadian banks are not included in the capital account of the balance of payments this procedure is logical as, even if the securities are paid for with funds from a bank deposit in Canada, such deposits in their origin would either have represented unrecorded capital credits or earnings in Canada which would probably have been debited in the current account of the balance of payments. Conversely, if securities are purchased abroad by a resident of Canada through one of the reporting agents in Canada but are lodged abroad they are reported as purchases by Canada, and if sold later to a resident of another country they are reported as sales.

From some points of view there might appear to be an exception to the general practice of reporting transactions when a change in the nationality of the ownership occurs. The members of the Canadian Bankers' Association report only international transactions in securities which are accompanied by exchange transactions between the Canadian dollar and some other currency. This is a more satisfactory basis for reporting the security transactions of the banks. The Canadian banks having large external balances may frequently change the composition of their foreign assets. Shifts between different foreign assets have no relation to the Canadian balance of payments. Consequently the security transactions of the Canadian banks outside of Canada connected with transfers between foreign assets or shifts from one foreign security to another are not recorded in the international trade in securities. It should be noted, as mentioned previously, that branches of Canadian banks in other countries are classified as non-Canadian for the purpose of this investigation.

In every case in the international trade in securities, transactions are designated sales or purchases from the point of view of the Canadian principal. Thus, transactions reported as sales represent sales by residents of Canada to residents of other countries and those reported as purchases represent purchases of securities by residents of Canada from residents of other countries. This rule applies whether the transactions are executed in capital markets in Canada or outside of Canada. Transactions connected with the redemption of securities are not reported in this international trade except in those cases where the issuing companies or governments repurchase their own outstanding bonds or debentures in the security markets. Accordingly, maturing bonds and debentures and issues called for complete or partial redemption are excluded. Likewise, sales of new issues of Canadian securities to residents of other countries are excluded from the trade in outstanding securities unless they are sold to purchasers abroad after the original distribution to the originating group or purchasing syndicate. Thus, sales of new issues underwritten by syndicate members resident outside of Canada are excluded from the trade in outstanding securities, as they are included in the special item of the capital account of the balance of payments which provides for new issues of Canadian securities underwritten and distributed outside of Canada.

The possibility of duplication in the reports received from different agents and reporting groups is avoided by following the practice of requiring only the firm or institution in Canada directly responsible for buying or selling securities outside of Canada to report the transaction. For example, if a Canadian broker purchases a security from the United States through the Canadian branch of a United States brokerage firm, it is that branch which reports the transaction. The Canadian broker would not report the transaction because, as far as he is concerned, he bought the security from a firm in Canada.

Amounts reported for each transaction are the amounts of the sales or purchases of the securities (taking account of commissions and taxes) and not the cash transactions between Canada and the country concerned, although a record is also obtained of the sales and purchases of United States exchange and sterling. This is of particular significance in the case of stocks, as in many stock exchange dealings the transactions are partly financed by brokers for customers and there is, consequently, a certain amount of international short-term indebtedness connected with brokers' loans. It has been found, however, that over the longer periods the net sales or purchases of foreign exchange approximate the balance of sales or purchases of securities, which is an important consideration when the trade is related to the capital account of the balance of payments. It should also be pointed out that, in the statistics of the international trade in securities prior to 1936, cash transactions were reported as contrasted with the value of the purchases and sales executed. The effects of this different basis of valuations in the earlier years would be limited, however, to the trade in stocks, and stock exchange trading in Canada was not as active in the earlier years (i.e. 1933 to 1935) as in 1936 and 1937.

ANALYSIS OF TRADE

As the international trade in securities has been reported since 1933 to the Dominion Bureau of Statistics, there now exists statistical material covering a period characterized by wide fluctuations in exchange rates, market activity, and economic conditions. Table 22 shows the various courses that the trade between Canada and the United Kingdom, the United States and other countries has followed. Two characteristics stand out in relief, the large volume of both sales and purchases, and the sharp swings in the movements. As a consequence, many of the net movements tend to offset each other during longer periods, although from the beginning of 1933 to the end of 1938 there were net sales of about \$143 million recorded, most of which were in the two years 1933 and 1935. Net sales to the United Kingdom during this period were \$138·4 million, while in the trade with the United States the net movement of capital was outward from Canada, net purchases by Canada from the United States being \$20·5 million. In the trade with other countries there were net sales of \$24·9 million. In most years the trade between Canada and the United Kingdom and that between Canada and the United States have been offsetting in their results.

The largest net sales in any month were the \$23·9 million recorded in January, 1936, and the greatest balance of purchases was \$11·7 million reported in April, 1937. Total sales executed in one month have varied from \$69·6 million in November, 1936, to \$7·5 million in March, 1933, and total purchases have fluctuated between approximately the same limits, the largest being \$65·1 million in January, 1937, and the smallest being \$7·4 million in January, 1933. The total net movement has rarely been consistently in one direction for more than six months and frequently has been irregular, swinging sharply sometimes from one month to another.

As has already been stated, Canada has imported capital through the international trade in securities in the period since 1933. This has been a result of the trade each year except 1937 when a small balance of purchases appeared. It is noteworthy that this inward movement of capital has persisted generally throughout a period during which readjustments have taken place in the relations between the principal currencies of the world and widespread changes in the business cycle and capital markets have occurred.

The main movements of capital affecting the net movement are more clearly revealed by an analysis of the trade between Canada and the United Kingdom, the United States, and other countries, as shown in statement XXXIV.

XXXIV. SALES AND PURCHASES OF SECURITIES BETWEEN CANADA
AND OTHER COUNTRIES, 1933-1938

(In millions of dollars)

(Net Sales +; Net Purchases -)

Year	Total Transactions			United Kingdom			United States			Other Countries		
	Sales	Purchases	Net	Sales to	Purchases from	Net	Sales to	Purchases from	Net	Sales to	Purchases from	Net
1933....	288.7	237.7	+51.0	80.8	27.6	+53.2	205.6	202.9	+ 2.7	2.3	7.2	- 4.9
1934....	321.2	312.3	+ 8.9	102.1	23.8	+78.3	216.0	284.2	-68.2	3.1	4.3	- 1.2
1935....	301.8	250.8	+51.0	31.0	44.1	-13.1	268.3	200.7	+67.6	2.5	6.0	- 3.5
1936....	422.5	414.7	+ 7.8	71.8	59.7	+12.1	338.1	346.6	- 8.5	12.6	8.4	+ 4.2
1937....	506.6	511.4	- 4.8	105.7	85.6	+20.1	376.4	412.7	-36.3	24.5	13.1	+11.4
1938....	369.2	340.3	+28.9	52.1	64.3	-12.2	283.5	261.3	+22.2	33.6	14.7	+18.9
Net Transactions, 1933-1938.			+142.8			+138.4			-20.5			+24.9

Trade in securities with the United Kingdom reveals a more consistent movement of capital to Canada than the trade with the United States and other countries. In four of the six years, the net movement of capital was from the United Kingdom to Canada, while in 1935 and 1938 small net purchases from the United Kingdom were more than offset by net sales to the United States. During the whole period under review the net import of capital from the United Kingdom through the trade in securities amounted to \$138.4 million.

Trade between Canada and the United States, on the other hand, has been subject to more frequent changes in direction and, consequently, during the period of six years the total net movement of capital has been smaller, purchases of securities from the United States exceeding sales by only \$20.5 million. In most years the net movement has been greater than this net movement during the whole period, but the movements in the shorter periods have largely offset one another. For example, net purchases from the United States of \$68.2 million in 1934 were almost entirely offset by net sales to that country in the following year.

Trade recorded with countries other than the United Kingdom and the United States has been relatively negligible in volume during the period as a whole, although it is probable that some of the transactions with the United Kingdom and the United States have been for the accounts of other countries. In the years prior to 1936 the trade recorded with other countries was particularly light and shows a small net balance of purchases each year, but in 1936 the volume increased and the net movement of capital turned inwards and continued so during the remainder of the period under review. As a consequence, net sales to other countries were \$24.9 million during the period. The bulk of these transactions have been in Canadian securities and most of the inward movement of capital has gone into the common and preference stocks of Canadian companies, although there also have been, on balance, sales by Canada to other countries of Dominion Government bonds and Canadian corporation bonds. Transactions in the securities of other countries have been small.

The most complete analysis of the distribution of the total trade by classes of security is available only for the period since the end of 1936. For the years prior to that, it has been necessary to estimate the distribution of sales and purchases between bonds and stocks in order to appraise the effects of the trade upon the ownership of Canadian bonds and stocks.

Analysis of the trade in 1938, as shown in Table 24, reveals that substantial net sales of Canadian stocks were only in part offset by net repurchases of Canadian stocks from the United Kingdom. Of the net inflow of almost \$29 million recorded, more than \$28 million resulted from net sales of Canadian

stocks. Sales on balance of Canadian bonds and debentures to the United Kingdom, the United States and other foreign countries totalled more than \$10 million. Trade in United States stocks, though substantial, gave rise to a net inward movement of only about \$3.1 million, which was more than offset by a net outward movement resulting from purchases on balance of a similar amount of United States bonds. Transactions in other foreign securities did not give rise to very large net movements of capital during the period.

In 1937, the only year during the period under review when the net movement of capital arising from the trade in securities was outward, an excess of Canadian purchases over sales was characteristic of the trade in both Canadian bonds and stocks and in United States bonds and stocks as well. In contrast, and partly offsetting these outward movements of capital, there were net sales of each group of securities to the United Kingdom and other overseas countries. In the trade with each area the most important net balance was in the trade in Canadian stocks. Repurchases of Canadian stocks from the United States exceeded sales by about \$21 million, while net sales of Canadian stocks to the United Kingdom and other overseas countries were \$9 million and \$7 million respectively.

The consequence of these diverse transactions was that, although the total net change in the external ownership of Canadian securities in 1937 was slight, there were more marked changes in the ownership of particular groups of securities. Thus, while external holdings of Dominion Government issues and Canadian railway bonds increased as a result of the trade in securities, there were reductions in the holdings of Canadian provincial, municipal and corporation bonds. Canadian holdings of United States bonds increased and the slight excess of Canadian purchases of United States stocks over sales indicates that Canadian holdings of these securities may also have increased in 1937, although fluctuations in the market prices of stocks make such a conclusion uncertain.

The change in the direction of the trade recorded in 1937, it will be observed, coincides with the period when the first serious recession in the prices of Canadian stocks in recent years occurred. The course of the official index of Canadian common stock prices shows that the month of March, 1937, marked the termination of an irregular advance that started early in 1933. Net purchases of securities by Canada were mostly executed in the months following the peak in stock prices reached in March. But the outflow of capital through the trade in securities in 1937 was not large on balance, and in 1938 the net inward movement of capital was resumed.

For the years prior to 1937 fewer details are available regarding the distribution of the total trade among the different classes of security. But on the basis of the general character of the security trade carried on in recent years by the different reporting organizations and firms, it has been possible to estimate the broad distribution of the trade in the years from 1933 to 1936. Because of the principles employed in valuing transactions in the earlier years, mentioned elsewhere in this chapter, the net trade in stocks should be regarded as being more indicative of the character of the trade in stocks than the gross amounts shown. At the same time, the trade in United States stocks may be somewhat overestimated in the earlier years, especially in 1933, as the proportion of the total trade in stocks represented by United States stocks in recent years may have been larger than formerly. In so far as the above qualifications may apply, the trade in Canadian stocks and bonds shown in statement XXXV will be understated.

XXXV. ESTIMATED DISTRIBUTION BY CLASS OF SECURITY OF SALES AND PURCHASES OF SECURITIES BETWEEN CANADA AND OTHER COUNTRIES

1933-1936

(Net sales +; Net purchases -)

(In millions of dollars)

Year	Total Sales	Total Purchases	Net	Bonds and Debentures		
				Sales	Purchases	Net
1933.....	288.7	237.7	+51.0	150.1	139.1	+11.0
1934.....	321.2	312.3	+ 8.9	204.8	217.1	-12.3
1935.....	301.8	250.8	+51.0	190.4	153.4	+37.0
1936.....	422.5	414.7	+ 7.8	177.5	163.0	+14.5

Year	Canadian Stocks			United States Stocks			Other Securities		
	Sales	Purchases	Net	Sales	Purchases	Net	Sales	Purchases	Net
1933.....	89.7	65.8	+23.9	48.4	32.4	+16.0	0.5	0.4	+0.1
1934.....	77.5	62.9	+14.6	38.2	31.4	+ 6.8	0.7	0.9	-0.2
1935.....	72.5	62.4	+10.1	38.3	34.4	+ 4.0	0.6	0.6	.....
1936.....	121.4	124.7	- 3.3	120.5	125.1	- 4.6	3.1	1.9	+1.2

The analysis reveals that in the four-year period net imports of capital resulted from the sale by Canada of bonds and debentures and Canadian and United States stocks. Although in each year sales of all securities by Canada were greater than purchases, there were net purchases by Canada of bonds and debentures in 1934 and of Canadian and American stocks in 1936. During the four years, sales of bonds by Canada exceeded purchases by \$50.2 million, while sales of Canadian stocks were in excess of Canadian purchases by \$45.3 million and sales of United States stocks appear to have been about \$22.2 million on balance. The greatest change in the ownership of bonds (probably nearly all Canadian) occurred in 1935 when net sales by Canada totalled \$37.0 million, and the largest net inflow of capital for the acquisition of Canadian stocks during the four years took place in 1933. The estimated net sales of United States stocks were also heaviest in that year.

Along with these total net changes in external ownership of Canadian securities, there were, of course, also the appreciable changes in British and United States holdings of Canadian securities not disclosed by the total net sales or purchases. In some years the trade in securities between Canada and the United States and that between Canada and the United Kingdom were, on balance, in opposite directions, with the result that the changes in nationality of ownership were even greater, as is indicated in the tables showing the total trade by countries.

INFLUENCES AFFECTING THE TRADE

Because of the variety of motivating factors influencing the international trade in outstanding securities, it is rather difficult to isolate the predominant influences which are responsible for changes in its course. The variety of securities entering into the international trade itself introduces many different motivating factors. Circumstances influencing the demand for equity securities are different from those affecting the demand for fixed-return securities. Then there are changes in investment interest between corporation bonds and government bonds. Sometimes there are swings in interest to or from whole classes of securities or, on the other hand, the particular background affecting an individual government or corporation may influence the market for its securities. In addition to the complexities introduced by the different kinds of security

available for international investment, there is the great diversity in individuals and institutions responsible for the buying and selling. The transactions of banks and other financial institutions are not only on a different scale from those of the small individual buyer or seller, but they are surrounded by entirely different motives and influences. Then, too, the circumstances giving rise to an international security transaction may be primarily internal in their origin or they may be the result of external causes; or capital may move from one country to another because of political or psychological reasons rather than because of economic inducements such as higher yields.

On *a priori* grounds one of the more apparent influences upon the international trade in securities is variation in foreign exchange rates. But a study of the transactions so far recorded indicates that variations in foreign exchange rates must be quite pronounced before their effects upon the broad course of trade are apparent. Other influences, less easily measured, are constantly changing and the effects of exchange rates are obscured. It must be recognized that in the international trade in securities, circumstances affecting demand are more complicated than in the commodity trade. Demand for securities, although closely related to the supply of capital seeking investment, is frequently influenced by other considerations than assured yield and safe investment. The possibility of potential profits from capital appreciation and other factors influence the supply of capital, providing a demand for securities.

The course of the purchases and sales of securities in the first two years in which they were recorded, 1933 and 1934, most clearly demonstrates the relationship with changes in exchange rates, as may be observed from Table 22. During the first six months of 1933 sterling funds in Montreal were at a heavy although diminishing discount, ranging from an average of daily quotations of 20.95 per cent in January to 5.16 per cent in June. Sales to the United Kingdom during that period were negligible, but it is interesting to note that purchases by Canada from the United Kingdom, for some other reason, were also at a very low level. Although sales had increased in May and June, it was not until July that the sudden expansion of sales to \$15.5 million took place and it seems significant that the average quotations on sterling at Montreal had risen to a premium of 1.33 per cent in that month. During the succeeding twelve months sales to the United Kingdom continued in substantial volume, while purchases remained light, with the result that the sustained flow of capital to Canada from the United Kingdom during this period was unusually large. Sterling throughout this period was relatively strong. Although there were slight discounts in the late summer and early autumn of 1933, there were premiums on sterling in Montreal during the succeeding months, as revealed in the monthly averages of daily quotations, ranging as high as 5.79 per cent for April, 1934. During the latter half of 1934 sterling was closer to the former par value and it is notable that the volume of sales diminished, while purchases were slightly heavier than in the previous months. Nevertheless, a balance of sales to the United Kingdom continued each month until January, 1935, but in 1935 and succeeding years the relationship between the value of sterling in terms of Canadian dollars and the trade in securities with the United Kingdom is less apparent. For example, in 1935 there were, on balance, purchases of securities from the United Kingdom by Canada, although in all but two of the months in that year the monthly averages of daily quotations for sterling at Montreal were at a premium, which in the last six months was over 2 per cent each month. Similarly, in 1936 the premium on sterling ranged from about 2 per cent to over 3.5 per cent during the first nine months, while, with the exception of January and February, net purchases by Canada characterized the trade in securities with the United Kingdom. But in the last three months of 1936 and in the first four of 1937, while the premium on sterling dropped to less than one

per cent, the inflow of capital to Canada from the United Kingdom was again substantial. It appears clear that in the later years of the period under review the influence of exchange rates upon the international trade in securities was overshadowed by other factors. Of course the possibility of these movements of capital being in themselves a major influence upon exchange quotations is a further consideration to be borne in mind in observing the relationships. In some months the balances in the trade in securities have been very large and, through their influence upon the total supply of or demand for foreign exchange, might appreciably affect the rates quoted.

Observation of the trade in securities between Canada and the United States during 1933 indicates that the exchange rate between the Canadian and United States currencies was not the primary influence. Despite the high premium on United States funds at Montreal in the early part of the year, Canadian purchases from the United States were, compared with sales to the United States, fairly substantial. Total sales to the United States were heaviest from June to November, in a period when the premium on the United States dollar was rapidly diminishing. As a consequence, net sales to the United States were substantial only between April and July. The general improvement in the stock markets and in confidence within the United States was, no doubt, an influential factor after April. From a low point of 48.9 in March, the index of common stock prices in Canada rose rapidly to 86.5 in July. Similarly the index of United States stocks also registered a rapid recovery in stock values. The marked growth in sales of securities to the United States after April seems closely related to the conditions surrounding this recovery in the security markets. Strength is given to this conclusion by the high level of sales maintained until November, although the United States dollar was at a comparatively low premium during the latter months of this period of heavy sales. The growth in Canadian purchases from the United States, which, in the last four months of the year more than offset sales, appears more closely related to the steady decline in the value of the United States dollar in Canada than does the trend in sales. Only a small net movement of capital resulted from the trade with the United States during 1933, the net inward movement of the first part of the year being nearly offset by the outward movement of the last four months.

The movement of capital during 1934 was, on balance, towards the United States, and the net movement in each month of the year except two was in this direction. With the exception of the first three months of the year, when a small premium remained, the average quotations for New York funds at Montreal were at a discount amounting to over 2 per cent in some months. It should be noted, however, that net purchases from the United States were particularly heavy during the first three months when the United States dollar was stronger.

In 1935 the net movement of capital between Canada and the United States was in the opposite direction to the movement in 1934. There was a net inward movement in every month except two. The discount on the United States dollar characteristic of 1934 remained only in January of 1935, after which a premium is shown in each month of the year by the averages of exchange quotations, although in most months it was slight. Furthermore, the growth in sales in the latter part of the year was accompanied by increasing purchases as well, and it should be noted that prices on the stock markets in Canada and the United States showed rapid gains during the second half of the year. From the above observations of the trade with the United States, it is evident that whatever influences exchange rates may exert have been obscured on many occasions by other factors, especially those associated with market psychology.

References have already been made to several occasions when the volume of international transactions and the activity on the stock exchanges have run closely parallel to one another. This has been a relationship to be expected, especially in the trade between Canada and the United States, since the condition of the stock markets and market psychology have their effects upon the international demand for securities. On the other hand, there are times when the volume of international transactions influences the level of prices of securities traded on the stock exchanges. International transactions in Canadian stocks frequently represent a substantial proportion of the total trade executed on Canadian stock exchanges and have important influences upon the prices of the stocks listed. This has been particularly the case with certain stocks in which there is widespread international interest. Some market leaders are always potentially susceptible to international demand. Then, on occasions, international demand is concentrated upon some groups of stocks which are closely connected with certain commodities or industries. Perhaps the best example of a group of shares in which there has been widespread interest in recent years is that provided by the "gold" stocks.

Various factors tend to stimulate international trading in stocks in periods when prospects seem good. Investment services and the financial press broaden the interest of investors beyond the borders of their own country. The numerous facilities available for making international transactions, especially in North America, make this kind of trading as convenient as the execution of internal transactions in securities. For example, most brokerage offices in Canada provide quotations for stocks on New York exchanges in the same manner as for those on the Canadian exchanges. The trend of security prices on the New York exchanges has important effects upon the course of prices of Canadian stocks. The number of securities interlisted on the Canadian and United States exchanges is a most significant factor in this relationship. Some Canadian stocks are also listed on the London Stock Exchange and on continental bourses. Many of these are market leaders and their prices are subject to trends on international security markets, with the result that these trends are transmitted to the Canadian stock markets as well. It should not, of course, be concluded from this relationship that there are not independent movements on the Canadian stock exchanges. The earnings and prospects of most Canadian companies are dependent upon the Canadian economy and, in so far as Canadian stock values are a reflection of these, they are subject to national influences.

A considerable amount of the trade in stocks between Canada and the United States may therefore be regarded as comparable to internal stock exchange trading. It is subject to the same kinds of stimuli and its international character is only incidental. Often the trading is on a short-term basis and the accounts may be partly financed by brokers' loans. Stocks are frequently turned over in a short period, with the result that the net sales or purchases during a period like a month are usually only a fraction of the total trade in stocks.

These generalizations, of course, refer only to a certain part of the trade in stocks. There are other transactions in stocks which represent longer term investments and are subject to different influences, with more consideration being given to such factors as yield. The trade in bonds between Canada and other countries is also more closely related to investment factors like relative yields. Most of this trade is in Canadian bonds, although there are, at times, transactions in United States and United Kingdom bonds for the account of Canadian financial institutions. A great many Canadian bonds have foreign market features. Many are distinguished by terms providing for optional payment in two or more currencies. These dual and triple currency issues offer special inducements to international investors. The market for optional-payment bonds is consequently more international than the market for bonds

payable only in one currency. The possibility of differences in the yields on these securities in Canadian and foreign markets also introduces a factor influencing the international trade in optional-payment Canadian bonds.

Another group of international security transactions warranting special attention consists of those executed on account of Canadian financial institutions. As has already been explained, the transactions of these institutions that are included in the sales and purchases of securities between Canada and other countries are limited to those which are accompanied by exchange transactions between Canada and other countries, no account being taken of the large volume of transactions of such institutions, executed entirely outside of Canada, which have no place in the Canadian balance of international payments. The transactions which are included reflect the investment activities of the institutions concerned and are subject to different influences from those affecting the transactions of smaller investors.

EFFECTS UPON THE BALANCE OF PAYMENTS

When considered in its broad relations to the Canadian balance of payments, the international trade in outstanding securities has special implications. Although a species of international lending, it is much more complicated, as has been indicated above, than the more obvious type connected with the sale of new issues of Canadian securities in capital markets outside of Canada. Whereas flotations of new issues of securities are the result of negotiations between debtor and creditor, in which the terms of the contract are established at the time of the borrowing, the trade in outstanding securities between countries gives rise to international indebtedness under quite different circumstances. Instead of the international relationship arising under contractual circumstances, as in the case of new issue flotations abroad, the trade in outstanding securities may produce international indebtedness as an incidental result of a transaction between two creditors, in which the debtor or issuer of the securities has no part. A typical illustration of such a result is provided by the transactions in Canadian common stocks between residents of Canada and residents of other countries. For example, a sale of stock of a Canadian company by a Canadian to a United States investor increases the United States investment in Canada, although the company concerned has had no part in the transaction. As the company, in all probability, pays dividends in Canadian funds, the change in the international ownership of the stock does not give rise to the necessity of the company buying foreign exchange. But, when the United States shareholder, however, transfers the dividends to the United States, there is set up a demand for United States exchange which must be met out of the supply of foreign exchange available to Canadians. In this way the current receipts and payments of interest and dividends are influenced by transactions in which the debtor or issuing company has no immediate concern.

The effects of changes in the nationality of ownership of outstanding bonds upon the balance of payments are also different from those upon the individual debtor. The repurchase by Canadians of Canadian bonds originally sold abroad does not necessarily affect the debtor's requirements for foreign exchange, assuming that the bonds are payable in a foreign currency. The interest will presumably continue to be paid in the currency in which it is payable, whether the bonds are held by residents of Canada or elsewhere. But, if Canadians, being paid the interest in a foreign currency, transfer it into Canadian currency, then the purchase of the foreign currency is "offset" by this amount when the transaction is considered for its effects upon the balance of payments.

Another characteristic of the effects of the international trade in stocks upon the balance of payments, in contrast to those resulting from the flotation of new issues of bonds abroad, is the variable nature of dividend payments. These

are less rigid than interest payments, being dependent as they are, in the long run, upon the income of the companies. This greater flexibility in dividend payments acts as an adjusting factor in periods when national income is low and reduces the strains usually placed upon the Canadian balance of payments under those circumstances. Furthermore, in periods when the Canadian dollar is at a discount, there is the possibility that foreign recipients of dividends from Canadian companies (usually in Canadian currency) may leave these temporarily in Canada.

International trade in outstanding securities represents an important part of the capital transactions between Canada and other countries. The volume of transactions is customarily heavy, as has been already pointed out, and the net movement of capital in some years has been quite important in the balancing of Canada's international accounts. But the importance of this group of capital movements in achieving equilibrium in the balance of payments is often obscured when the annual net movement of capital alone is considered. The relative importance of the effects of the net movement arising from these transactions upon the balance of payments is greater in shorter periods than in the longer annual periods usually studied in balance of payments statements. In some years there have been different predominant movements in different periods, with the result that over the longer period the net movement of capital was small in proportion to the volume of transactions, as compared with the net movements in the shorter periods.

Because of this it might be expected that the international trade in outstanding securities would be closely related to the short-term fluctuations in the foreign exchange value of the Canadian dollar. The behaviour of the international trade in securities during 1933 and 1934 has already been described. It is possible, however that there are short-term relationships between foreign exchange rates and international security transactions which are more difficult to observe statistically. During the 1933 and 1934 period it is particularly important to note the opposite tendencies evident in the security trade with the United States and the United Kingdom. The tendency for the Canadian dollar to fluctuate at levels in between the exchange rates between sterling and the United States dollar no doubt provides the key to the explanation of these opposite tendencies in the security trade between Canada and the two countries. There is usually sufficient latent international demand that may become effective in such transactions to set up offsetting capital movements between Canada and the two countries that in themselves have some equilibrating effects. As a consequence, some of the disturbing effects of the international trade in securities that might be expected to arise in periods of unusual foreign exchange relationships fail to materialize. This is because some of the capital movements resulting from the differences in exchange levels are offset by counter-movements.

It is also difficult to analyze the effect of capital movements, arising through international security transactions, on other items of the balance of payments. The effects of one item upon another may be direct or indirect. There do not appear to be any obvious direct effects in this particular case. There can, for example, be little or no direct relationship between the commodity trade and the trade in securities, although in the case of some types of capital movement, there is a direct causal relation. Instances of direct relationships between the commodity trade and some capital movements are provided under such circumstances as the flotation of new issues of bonds in the United States by Canadian companies, which buy capital goods and materials in the United States out of the proceeds of the loan and ship these to Canada. But the international trade in securities is peculiarly divorced from any such merchandising transactions. Its very nature, the purchase and sale of outstanding

securities, points to it being made up of financial dealings occurring after the original investment of capital accompanying the original issue of the securities.

It is clear that the effects of the international trade in securities must be indirect and more subtle than the direct effects of the type illustrated above. These indirect effects may be upon the items of the current account or upon the other movements of capital or upon both.

An import of capital resulting from the net sale by Canada of outstanding securities to other countries presumably increases the supply of capital in Canada available for investment or expenditures. The Canadians selling the securities have received purchasing power placed at their disposal. This may be employed in a great many ways. It may be spent on Canadian merchandise or services, or on imported merchandise or services, or it may be used for investment in Canada. In the latter event the supply of capital in Canada would be increased, with possible effects upon other classes of capital movement between Canada and other countries. Whatever was done, however, would give rise to secondary effects upon the demand for Canadian or foreign goods and services or upon the supply of capital available in Canada. These effects would be reflected upon the relative prices of the goods, services or capital concerned. It would be idle to attempt to analyze the effects in any detail, as to make such refined speculations would require more details than are available regarding the continually-changing complex circumstances. It seems probable, nevertheless, that there would usually be indirect effects which to some degree, at least, would operate towards adjusting the Canadian balance of payments to the altered circumstances.

When considering some of the long-run consequences of the international movements of capital accompanying the trade in securities, it should be noted that although the securities entering the trade are, for the most part, long-term classes of securities, the movements of capital do not necessarily have these characteristics. As much of the trade is apparently concerned with trading profits or other forms of capital appreciation, there is a certain unstable character to some of the investments, which places them in the short-term category for most purposes. This has its effects upon the uses to which the yield on the investments is put. Security purchases may be partly financed by brokers. When this is the case dividends may be collected by brokers in the country where the securities were bought and credited in the account of the investor, and used for settling the account or for further foreign investment. In either case the yield is not comparable to the yield on typical long-term investments, which is transferred from the debtor to the creditor countries.

It is interesting to observe, however, that considering the unstable character of some of this trading, apparent on *a priori* grounds, the actual movements of capital have not always been as great as might have been expected under some unsettled conditions in financial markets. The period over which a record of the trade is available covers a wide range of market activity during which there have been some extreme fluctuations in security prices. Yet the net movements of capital, although at times large, have not been of extraordinary proportions. Perhaps one element making for moderation in these movements of capital in periods of stock market collapse lies in the relatively close relationship that is usually found between the course of prices of stocks on the Canadian and the United States exchanges. On the other hand, if unsettled conditions were limited to the markets of one country, then it might be expected that greater movements of capital would result. It would seem then that there are potential circumstances in which capital movements of proportions sufficient seriously to disturb the balance of payments might occur, but that these circumstances rarely develop.

CHAPTER XIX

Movements of Capital Connected With International Direct Investments and Trust Companies

How important a place direct investments occupy in the Canadian balance of international indebtedness has already been described. The huge sums of investment involved inevitably produce important effects. Apart from the yield on the capital invested, there have been, in particular, those effects springing from the rapid growth of foreign direct investments in Canada before 1930 and from the repayment of capital in recent years associated with their increasing maturity. Other capital movements are the result of the international movements of materials and finished products connected with the production and distribution activities of industries operating on an international scale.

The circumstances under which current and capital remittances connected with direct investments arise are quite different from those accompanying other classes of international investment. International direct investments are in essence "equity" investments as contrasted with the older forms of "contractual" investments, such as portfolios of bonds and debentures.

Not only is the yield of direct investments flexible, but a considerable amount of discretion may be employed by the owners in deciding when remittances of funds are to be made. For example, dividends may be passed until circumstances favourable for their remittance arise and, in any case, they are closely dependent upon the income of the subsidiary, which, in turn, usually fluctuates in accordance with changes in the national income of the debtor country. In contrast, international indebtedness in the form of bonds and debentures gives rise to contractual claims for interest and principal on specified dates and, with some exceptions, in predetermined amounts. There is, consequently, a rigid character to the obligations incurred through the sale abroad of bonds and debentures, which produces strains in the balance of payments which may be particularly acute when the income of the debtor economy dwindles.

These characteristics of direct investments deserve further elaboration. This is particularly the case when the instability of foreign exchange levels, experienced in some recent years, is considered. Fixed-interest-bearing securities payable in foreign currencies impose not only the necessity of contractual payment but, in times when the currency of the debtor country is depreciated, these securities carry the added burden of the premium on exchange. This not only adds to the strain upon the already depreciated currency of the debtor country, but creates difficulties for the individual debtors. Direct investments, on the other hand, have not the same effects upon the balance of payments of a debtor country with a depreciated or weakened exchange level. Such exchange conditions in a debtor country usually reflect a period when economic activity has become slack. It has already been noted that the income of direct investments may be expected to follow generally the broad trend in the income of the debtor country. Consequently, there being usually no contractual obligations, the burden upon the balance of payments is automatically reduced. But there are also other factors influencing the volume of international remittances connected with direct investments. The decision to make these remittances rests with the creditor in a wide range of instances. The result is that transfers of cash from the debtor currency to another may be postponed when the debtor currency is weak or, on the other hand, other remittances may be

made to the debtor country, as the premium on the currency of the creditor's country would provide an inducement under these same circumstances. Similarly, if the exchange of the country where the direct investments are located is at a premium, there is an inducement for the owners of the direct investments to transfer funds in order to obtain the premium.

It is because of these peculiar circumstances connected with direct investments and the discretionary powers resting with the owners that the movements of capital and remittances have many equilibrating effects upon the balance of payments of a debtor nation. The interests of the owners of direct investments are more like those of a resident of the debtor country than are the interests of a foreign bondholder whose returns are payable in the currency of the creditor country concerned. For this reason, the owner of direct investments often has a different attitude with regard to the external value of the currency of the debtor country, being so situated that funds may usually be employed there if circumstances are not favourable to their transfer.

It should be recognized, however, that many transactions between debtor and creditor countries, in connection with the operations of direct investments, are carried on in a normal commercial manner and are not subject to the discretionary treatment indicated above. Many are carried out under much the same circumstances as other commercial transactions, and are not usually influenced by fluctuations in exchange rates although, as will be described more fully later, many of the payments for merchandise imported from parent companies are handled in an unusual manner.

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA

In studying statistically the effects of direct investments upon the balance of payments of a country, attention must be turned towards the movements of funds resulting from these investments. When considered from the point of view of purpose, various broad groups of movements of funds connected with direct investments appear. Transfers of capital connected with the establishment and development of a branch or subsidiary belong to one group, while those transactions which are a part of the operations of the concerns more properly belong to a different group. Similarly, the transfers of dividends, and other current remittances and capital movements arising from the earnings of the branch or subsidiary, constitute a group with many characteristics in common.

These remittances take different forms. They may be accomplished by transfers of cash from one currency to another or by movements of merchandise unaccompanied by cash payments. The accounting practices followed in recording the transactions also vary. In one company a transfer from the surplus of a subsidiary may be declared as a dividend, whereas in another concern a transfer from surplus may be recorded as a repayment or advance of capital.

From the practical point of view of recording these transactions statistically, it has been found more feasible to collect information in categories somewhat different from those suggested by the purpose or form of the transactions. The first complete statistics on the operations of British and foreign investment in Canada were collected in 1936 by the Dominion Bureau of Statistics on a schedule covering the years from 1926 to 1935. The schedule was sent to all companies or firms in Canada falling in the group of direct investments in Canada, with some exceptions such as insurance companies, transportation companies, and other concerns whose operations are covered elsewhere in the balance of payments statement. Excellent co-operation was received from the many hundreds of firms to which the schedule was sent and a fairly complete record of the relevant transactions during the period has been obtained. Similar reports have been secured in subsequent years.

The schedule used divides capital movements into long-term and short-term, itemizing the principal kinds of these. Other transactions are also recorded in detail, the schedule being constructed to provide for all relevant transactions. Relevant transactions are those connected with movements of funds or merchandise, and no attempt is made to ascertain the profits or losses that might be recorded in the company accounts, except in so far as they have some influence on capital movements or other balance of payments items.

In the case of movements of capital connected with direct investments, there is a question as to how far it is possible to distinguish between long-term and short-term movements of capital. In theoretical discussions of international capital movements some sharply contrasting features have been attributed to long-term and short-term movements. Long-term movements have in theory been considered to be those connected with long-term investment resulting from the high yields received in an economy where there is a relative scarcity of capital, whereas short-term movements perform a different function from that filled by the long-term movements. Some theoretical explanations of equilibrium in balances of payments have attributed much importance to short-term movements of capital resulting from transitory circumstances, under which the movements become profitable.

This theoretical difference between long-term and short-term movements of capital becomes less distinct when the transactions connected with direct investments are considered. All of the capital transactions arising from direct investments owe their existence to some extent to the fact that there is a long-term international investment in a branch or subsidiary. As has already been pointed out, the circumstances under which the transactions are executed often depend upon the discretion of the administrators of the direct investments. Temporary situations making a movement of funds profitable may give rise to an international movement of capital, regardless of whether it is for long-term or short-term investment. The final purpose of the investment or the intended duration does not necessarily influence the way in which the capital is transferred. Movements of capital originally intended to be short-term may become long-term investments and *vice versa*.

These possibilities must be kept in mind in any interpretation of the movements of capital connected with direct investments. The schedule used in recording them makes a division between long-term and short-term movements. In distinguishing between the two broad groups of movements, original intention is the guiding principle. Long-term movements have been identified as those connected with investments intended to be for periods of more than a year. Thus, as inward movements of long-term capital, there have been included investments in bonds, debentures, and stocks of subsidiaries, as well as capital invested directly and unaccompanied by securities of these kinds. All long-term capital invested for the establishment of a branch or subsidiary is, in this way, included, as well as capital advanced for the development or maintenance of existing direct investments, except in so far as the advances are intended to be only short-term loans. Capital imported may be in the form of cash or of merchandise. When the latter is the case and when the capital is long-term, the merchandise is likely to be made up of capital goods such as machinery and equipment. Also included among inward movements of long-term capital are repayments received by branches or subsidiaries on loans to borrowers outside of Canada. Examples of these are provided by loans by branches or subsidiaries to head offices or parent companies.

Outward movements of long-term capital include the redemption of securities owned outside of Canada. These securities may be of any type from bonds

or debentures to equity securities and may have been redeemed at the date of maturity or may have been called for redemption. Retirements of maturing bonds, retirements of called bonds and retirements of preference shares have been kept separately, as well as retirements of other long-term capital and loans to parent companies or other borrowers outside of Canada.

Movements of capital recorded as short-term are those which, when originally advanced, were expected to be repaid within a year, regardless of their subsequent history. Consequently, some of the short-term loans and advances may, in subsequent effect, have become long-term investments of capital; but the original intention when these advances were made is probably of more significance when considering their immediate effects upon the Canadian balance of payments. Inward movements of short-term capital have been separated into two groups: inward movements by means of merchandise shipments, and transfers of cash to Canada. The total inward movement has in most years been fairly well divided between these two types of capital movement. Transfers of capital by means of merchandise are, of course, accomplished by shipping to the branch or subsidiary merchandise which is not paid for in the normal commercial manner. The merchandise may take any form from capital equipment to materials, parts or finished consumers' goods, although when the shipments are for the purpose of providing short-term advances, it is more likely to be materials or parts used in the productive processes of the branch or subsidiary. Whatever the form of merchandise may be, however, the important feature of these transactions for the balance of payments is that the value of the merchandise is recorded in the Trade Statistics of imports, and when the value of imports is recorded in the balance of payments, it is assumed that there are corresponding debits. Consequently, such capital movements in kind must be entered in the balance of payments to offset the effects of the inclusion of the value of the merchandise concerned in the total value of merchandise imports. Of course, in almost all international transactions in merchandise, there is a certain lag between the time of shipment and delivery and the time of payment, giving rise to a difference between the value of the merchandise recorded as imports or exports during any period and the payments made during the same period. The type of short-term capital movement under consideration here, however, is due to other circumstances than the normal commercial lag between time of shipment and time of payment. With companies operating on an international scale, there are often international movements of merchandise which, within a nation, would be merely interplant movements which were part of the productive process. As there is a tendency for large industrial integrations to be operated under one management or control, this situation is a characteristic of many industries with branches or subsidiaries in Canada. Merchandise movements, then, provide a convenient means of furnishing short-term advances which need be repaid only when circumstances become favourable. Although, in the operations of many direct investments, intercompany movements of merchandise are paid for in the usual commercial manner, there are sufficient cases where short-term financing is accomplished in the above way to make these transactions of significance to the balance of payments. The actual value of imported merchandise recorded as a capital movement in any year is limited to the amounts not paid for during the year and is, consequently, only the net movement of short-term capital. The gross capital movements connected with merchandise imports would be much larger, as many loans made by means of merchandise would be advanced and repaid within the year. Of course, short-term loans and advances made by means of international remittances of cash are also substantial; temporary operating deficits frequently occur which can be met only by advances from the parent company, since the practice of some companies with direct investments is to meet working capital requirements in this way.

Outward movements of short-term capital, of course, include repayments of the loans and advances already described, whether they were originally made by means of merchandise or cash. Repayments for loans advanced by merchandise shipments are limited to payments for merchandise imported in previous years. Other outward movements of short-term capital may be connected with merchandise exported from the Canadian branch or subsidiary and in connection with which there were not receipts of funds from abroad.

The extent of merchandise exports unaccompanied by receipts from abroad is considerable, and some proportion of these have the characteristics of short-term movements of capital from Canada while others are long-term in character. Here, again, the capital movements, as in the case of some movements inwards, are a product of the international operations of many industrial concerns. Some of the outward movements of merchandise are comparable to interplant movements within a country in which materials or products are moved on for further processing. For example, ores extracted by Canadian mines which are the direct investments of external interests, may be shipped to plants outside of Canada for refinement or fabrication, there being no accompanying inward movement of funds to Canada in payment. The practice is frequently that the Canadian branch or subsidiary receives funds from abroad only to provide for operating expenses or for extensions of plant and equipment. When this is the case, the amount by which the value of exports, as recorded in Canadian statistics of exports, exceeds the amounts remitted to Canada must be entered in the balance of payments statement as an offsetting debit to commodity trade credits.

Other exports of merchandise from Canada unaccompanied by inward movements of funds arise from a different kind of industrial organization. Many of the Canadian branches and subsidiaries of foreign companies have an important export trade. In some cases the opportunity of access to Empire markets provided by the Dominion was one of the reasons for establishing plants in Canada. Consequently, international movements of merchandise have been influenced by the existence of these plants in Canada. The organization of production in some industries is such that materials or parts are shipped to the Canadian plants from the parent organizations outside of Canada, giving rise to the inward movements of capital already described. The resulting indebtedness may be reduced by means of the proceeds from the sale abroad of the exports of the Canadian subsidiary. In some companies the export sales of the Canadian subsidiary are handled by the selling organization of the parent company, the proceeds not being remitted to Canada, although the Canadian subsidiary is given credit for them in the books of the parent company. These credits may accumulate or they may be applied towards the reduction of the subsidiary's indebtedness to the parent company. In either case they represent transactions that must be taken account of in the Canadian balance of payments.

Classifying the debits arising in Canada's international accounts from the export of merchandise presents a problem. In many respects they constitute capital movements. Some are better designated in this way than others. But even in these cases, the distinction between long-term and short-term movements is difficult to draw. On the other hand, the volume of these movements is closely dependent upon the productivity of the Canadian investments and this relationship to earnings gives them some of the characteristics of flexible current remittances of earnings such as dividend payments. But the fact that assets abroad, which are at least nominally Canadian, may result from some of these transactions tends to weaken this analogy, especially when, in the future, these assets may be drawn upon to make payments for the Canadian subsidiaries or branches. In practice such transactions have been

included in the capital account of the balance of payments, along with the other capital movements arising from international direct investments. Whatever their character may be, they are, in any case, in effect debits which must be recorded in the Canadian balance of payments to offset the extent to which the export trade has been overvalued because of their existence. Nevertheless, their peculiar aspects should be borne in mind, especially their close relationship to the earnings of direct investments in Canada.

Remittances of dividend payments and interest payments are the most important of the non-capital items. These current payments, although recorded on the direct investment schedule, are included in the interest and dividend item of the current account of the balance of payments, as they are definitely part of the yield on direct investments in Canada. Other current payments recorded on the schedule include other remittances of profits not in the form of dividends, payments for services, patents, etc., and current receipts for services, the use of patents, etc., are also recorded. These miscellaneous current receipts and payments are usually small compared with interest and dividend payments and the capital movements.

Profits of the branches or subsidiaries, when re-invested in Canada, have not been recorded, as such transactions do not directly affect the Canadian balance of payments. Conversely, neither has re-investment of the profits of Canadian branches and subsidiaries abroad been considered an inward movement of capital to Canada. The inclusion of such offsetting entries in the balance of payments would merely exaggerate the volume of actual transactions and the resulting effects upon the balance, assuming the amounts entered were exact, would be no different from the effects of excluding the entries from the statement entirely. The transactions of significance to the balance of payments do not necessarily coincide with the profits or losses of the Canadian units in the conventional accounting sense.

In addition to covering the detailed analysis of movements of funds described above, the schedule employed in this inquiry also recorded the balance in the intercompany accounts as at the beginning and end of each year covered. For many companies, the change in the intercompany account balances, in any period, represents the net transfer of funds or international movements of merchandise. In some cases where the individual groups of transactions could not be segregated the change in the intercompany account balance has been used as a record of the net annual movement of capital, if it accurately reflects such a movement.

MOVEMENTS OF FUNDS 1926-1937

In the balance of payments statement the movements of funds connected with the operations of British and foreign direct investments in Canada have been divided into two groups: current remittances, which have been entered in the Interest and Dividend item, and the other movements, which have been included in the capital account, either in "New Issues" and "Retirements" or in "Net Capital Transactions of International Direct Investments, etc." To study the complete effects of British and foreign direct investments upon the Canadian balance of payments, it is necessary to observe the total movements as well. The approximate total movements of funds between Canada and other countries connected with the direct investments are shown in the accompanying statement. It should be pointed out that receipts and payments for merchandise exported or imported by these concerns are not included when the international transactions are carried out in the normal commercial manner. Merchandise transactions have been included only when they have been connected with the capital movements described above. The investigation of direct investments had the primary purpose of recording international capital transactions which

were not already recorded in the statistics of exports and imports of merchandise from Canada, as such are taken account of, in the item of merchandise trade in the balance of payments statement but cannot be identified. It is apparent that the total effects of direct investments upon the external merchandise trade of Canada cannot be ascertained exactly. For instance, besides the finished products exported directly by the foreign-controlled plants, there would be indirect exports of products by other agencies or in forms that were further manufactured in Canada. The statistics in Statement XXXVI may then be considered only in their relation to the Canadian balance of payments, in which the merchandise transactions of direct investments are automatically accounted for in the item of commodity trade.

XXXVI. MOVEMENTS OF FUNDS BETWEEN CANADA AND OTHER COUNTRIES
ARISING FROM BRITISH AND FOREIGN DIRECT INVESTMENTS IN
CANADA, 1926-1937
(In millions of dollars)

Year	Approximate Gross Movements*		Net Movements	
	Inflow	Outflow	Inflow	Outflow
1926.....	113.3	80.6	32.7	.....
1927.....	110.6	87.3	23.3	.....
1928.....	97.8	109.6	.....	11.8
1929.....	123.6	149.9	.....	26.3
1930.....	112.5	147.6	.....	35.1
1931.....	65.2	128.3	.....	63.1
1932.....	38.3	107.5	.....	69.2
1933.....	37.1	152.7	.....	115.6
1934.....	44.8	146.3	.....	101.5
1935.....	41.9	170.8	.....	128.9
1936.....	57.3	206.0	.....	148.7
1937.....	75.7	243.0	.....	167.3

*For some companies and for some types of transaction, only the net inflow or outflow has been included in the gross inflow and outflow. Movements of funds directly resulting from imports and exports of merchandise are excluded.

This statement shows the very striking changes that have taken place in the movements of funds connected with British and foreign direct investments in Canada during the period under review. Probably the most significant of these has been the transition from net inflows in 1926 and 1927 to the net outward movement which appeared in 1928 and which has expanded almost continually since then. There has been a shift from a net inflow of \$32.7 million in 1926 to a net outflow of \$167.3 million in 1937. Accompanying this change in the direction of the movement, there have been marked changes in both the total inflow and the total outflow of funds. The heavy inflows of funds were concentrated in the years before 1931, while the total outflow has fluctuated, with some exceptions, more in accordance with general business activity, although the longer-term trend appears to be upward. The maximum inflow was in 1929 when it amounted to \$123.6 million, while the lowest annual volume of \$37.1 million was in 1933. The outflow has grown from \$80.6 million in 1926 to \$243.0 million in 1937.

The inflow of capital was most pronounced between 1926 and 1930. A marked contraction appeared in 1931, and in 1932 and 1933 the inflow was at its lowest point and only showed an appreciable increase in 1936 and 1937. This heavy inflow of capital before 1931 coincides, of course, with the latter part of that period of rapid growth in foreign direct investments in Canada. The inflow of capital recorded is not a complete measure of the expansion of these investments, however, as some of the growth in investment was financed by profits earned by the Canadian branches or subsidiaries. Much

of the new investment, however, as the statistics reveal, was financed by foreign capital remitted to Canada. The movement of capital does not necessarily reflect the number of new plants being established in Canada during any period. The establishment or development of one important concern often gives rise to capital movements much greater than those resulting from a large number of small plants. Many direct investments are on a small scale and have insignificant effects upon the balance of payments, whereas the transactions of some large companies are of particular significance.

Direct investments established or developed by these heavy imports of capital are found in most of the principal groups of industries in Canada. Developments in the pulp and paper, metal, and mining industries and in utilities were particularly noteworthy, although many branches and subsidiaries in other manufacturing and merchandising fields also shared the inflow of capital.

In each year from 1926 to 1930 large amounts of capital were remitted directly to branches and subsidiaries by parent companies in the United States. The majority of these direct remittances of capital were reported by the companies as long-term capital. Direct advances of long-term capital were heavy in each year from 1926 to 1930, but contracted sharply in 1931 and remained at a relatively low level after that. Imports of short-term capital were also heavy in the early years, but subsequently have not declined as much as have the imports of long-term capital. Imports of capital through the sale outside of Canada of the bonds and stocks of the Canadian subsidiaries were also on a large scale prior to 1931, although the capital raised through these channels was less than the capital remitted directly by parent companies. In some cases capital was remitted directly by the parent company for the early stages of a development which was later financed by the public sale of securities in the United States. Parent companies sometimes subscribed to the securities of the subsidiaries, especially when these were equity securities; in other cases securities were sold publicly in the United States, and the capital investments represented by such holdings of securities have the characteristics of portfolio investments. Since 1932 sales abroad of newly issued securities of direct investments have been practically limited to issues of stocks, which have probably been taken by parent companies in most instances.

Capital imported during this period of development was not always remitted in the form of cash. Merchandise shipments also provided the means by which much of the capital was sent to Canada. This was especially the case when new plants were being established and equipped. Machinery, equipment and other forms of durable goods were often shipped to Canada by the parent organizations. Although these imports of capital are among those recorded, the exact amounts that took these forms are not available. Considerable amounts of the short-term capital advanced were also in the form of merchandise, in circumstances such as those already described at more length above. In many years the net inflow of short-term capital to branches and subsidiaries has been principally in the form of merchandise shipments rather than in cash, as such shipments provide a convenient method of supplying the branch or subsidiary with working capital.

Total annual outward movements of funds from direct investment in Canada have shown a tendency to increase, interrupted only during the depression years. Outward movements grew from \$80.6 million in 1926 to \$149.9 million in 1929 and dropped only to \$107.5 million in 1932. A sudden expansion in 1933 occurred, but this was partly the result of some specially large short-term transactions by a few firms, being a reflection of such unusual transactions rather than a movement characteristic of the transactions of all firms in that year. From 1934 on, the increasing outflows of funds were more widespread in their

origins and no doubt were a consequence of generally increased earnings. The total outflows in 1935 and subsequent years were much greater than the maxima reached before the depression.

Outward movements of funds from Canada have been more diverse in character, including, as they have, both capital movements and current remittances. Dividends form the largest single type of outward remittance from Canada each year and, of course, have been flexible, reflecting, as they have, the wide changes in earnings during the period under review. In most years dividends have constituted about one-half of the total outflow of funds from branches and subsidiaries in Canada, with the exception of the years 1932 and 1933 when they constituted only about forty per cent of the outflow. Some of these payments were to private investors abroad, and some to the parent companies holding the stock of Canadian subsidiaries. Payments of interest and payments for services provided by parent organizations were smaller and less subject to change in volume. Other outward remittances were flexible. Among these were the outward movements arising from the export of merchandise for which the branch or subsidiary had not been paid. Movements of this kind were particularly heavy after 1933, expanding with the growth in Canadian exports that followed the depression. The difficulty in definitely designating some of these outward movements of merchandise as either capital or current payments has already been discussed. Often they have at least the appearance of capital transactions, although, on the other hand, they closely reflect the growth in earnings of the investments in Canada. In any case they give rise to debits which are an important consideration in tracing the effects upon the Canadian balance of payments of some of the increased exports from Canada in recent years. Other outward movements of funds classified as capital movements have been customarily substantial and have expanded considerably since 1933, especially payments that represent the repayment of short-term advances.

CANADIAN DIRECT INVESTMENTS ABROAD AND THE BALANCE OF PAYMENTS

The relations between Canadian companies and their direct investments abroad have many characteristics in common with the relations between British and foreign companies and their direct investments in Canada. The value of Canadian direct investments abroad, \$511 million, is less than one-quarter of the value of British and foreign direct investments in Canada, so it might be expected that the movements of funds connected with these would be proportionately smaller. But, because of the smaller number of companies, the transactions of a few of the larger concerns frequently overshadow the transactions of all the others. When the transactions of the larger companies are predominantly in the same direction, there are not sufficient transactions resulting from the operations of the smaller concerns to offset the predominant movement. Consequently, the operations of Canadian direct investments abroad frequently include transactions of greater significance to the Canadian balance of payments than the relative value of the investments would indicate.

Complete records of the movements of funds between Canada and other countries resulting from the operations of Canadian direct investments abroad have been obtained for the years 1936 and 1937 by schedule. For the earlier years information available is less complete, although details of the transactions of some of the larger companies have been secured sufficient to reveal the main tendencies since 1926. The schedule employed in 1936 and 1937 has much the same make-up as that used to record the transactions of British and foreign direct investments in Canada, although, of course, it is adapted to meet the situation occupied by parent companies in Canada. Movements of funds are, accordingly, divided into long-term capital, short-term capital and other

kinds of remittance. The schedule is sent to all Canadian companies with direct investments abroad, with the exception of the transportation companies, whose transactions are analyzed separately.

Data on movements of funds collected by schedule for 1936 and 1937 from Canadian companies, other than railways, have revealed a net outflow of capital. Interest and dividends received in Canada from the foreign subsidiaries of these companies are included in the current account of the balance of payments in the item of interest and dividend receipts. Other known transactions in recent years have been, on balance, outwards. Important among these have been short-term advances by means of merchandise exported from Canada and by cash remittances. Advances by means of merchandise shipments from Canada have been particularly substantial, although offsetting some of these there are also customarily receipts for merchandise shipped in previous years.

Direct investments of Canadian railways in the United States are valued in the neighbourhood of \$200 million. Constituting, as they do, a large part of the total Canadian direct investment abroad, they also give rise to a considerable proportion of the movements of funds. The situation, with regard to the relationship of these to the balance of payments, is rather complex because of the international services provided through their freight and passenger traffic. This international exchange of transportation services is provided for in the balance of payments items covering the tourist trade and freight receipts and payments. The exact method of treating these has already been described in the chapters on these two items and is too technical to repeat in detail here. The general method followed, however, is to treat the operations of the United States lines and subsidiaries of the Canadian railways as United States railways. Earnings of United States railways on traffic to Canada are entered as debits in the Canadian balance of payments, while earnings of Canadian railways on traffic to the United States are entered as credits, as these items of freight are not included in the value of merchandise trade. Similarly, passenger fares for transportation in Canada received from United States sources are entered in the balance of payments as tourist credits.

The remaining groups of transactions to be recorded are those connected with the maintenance and operation or development of the lines and subsidiaries in the United States. There are some lines in the United States forming part of the Canadian railway systems, and there are expenses in connection with the operation of these which are met by remittances from Canada, as such lines are usually connecting links in the Canadian system, depending for revenue upon through rather than local traffic. There are also freight and passenger agencies and other offices outside of Canada whose expenses are paid for by the Canadian railways. Of course, some of these expenses may be met out of revenue collected outside of Canada, but it is assumed that most of this revenue has already been credited in the balance of payments and, if so, it is necessary that the expenditures be entered as offsetting debits. Certain other receipts and payments arise out of the joint use of terminals or other facilities and these amounts are taken into account. In addition to the transactions directly connected with operations of the Canadian railway systems, there are those which take place between the Canadian railways and their subsidiaries in the United States. Among the receipts is the income from the securities of the subsidiaries held by Canadian parent companies. There have been few dividends paid on equity securities in recent years, and interest on bonds of United States subsidiaries held by Canadian railways, has, in some cases, been paid by subsidiaries operating at a loss. Therefore, since interest on these securities is credited in the balance of payments, there must also be recorded as debits, advances from Canadian parent companies to meet deficits. The balance of these offsetting entries reflects the net cash remittances each year. Other ad-

vances to United States subsidiaries must also be taken into account. The net result of taking account of all these miscellaneous payments arising from Canadian railway investments in the United States, which are not recorded elsewhere in the balance of payments, is that a debit of considerable proportions is entered in the capital account of the balance of payments along with the other capital transactions connected with international direct investments. The existence of this net outward movement does not necessarily reflect the true value to the Canadian railway systems of investments in the United States. United States lines and subsidiaries, by providing outlets to United States centres, through routes, and in-transit traffic, produce earnings for the Canadian systems which do not appear in a calculation such as this. The purpose of this entry in the balance of payments statement is to record transactions not otherwise recorded there, and not to measure the advantages or disadvantages of these railway investments.

CANADIAN TRUST COMPANIES AND THE BALANCE OF PAYMENTS

Canadian trust companies perform a wide range of services to the public. Such services include those of executor, trustee, administrator, property manager and investment counsellor, as well as those functions connected with the acceptance of deposits, the investment of company funds in mortgages and other securities, and the duties of registrars and transfer agents. It is principally through their performance of the first group of functions that Canadian trust companies execute transactions which are not recorded elsewhere in the balance of payments. By acting as Canadian executors, trustees, administrators, etc., for non-residents of Canada the trust companies administer a substantial volume of British and foreign investments in Canada.

Statistics on these investments and the international remittances made by Canadian trust companies are collected by schedule. At the end of 1937 the total value of assets in Canada administered for non-residents was over \$170 million. Included among the assets are the shares and debentures of holding companies incorporated in Canada and administered by Canadian trust companies for the beneficial owners residing outside of Canada. Also included are other Canadian assets directly administered for non-residents of Canada, when the trust company may be acting in any one of a number of capacities, such as executor of an estate, trustee or manager. In this way a record is secured (of a type of international investment which it would be otherwise impossible to cover), of the assets of Canadian estates administered for beneficiaries residing outside of Canada. Most of the assets administered for non-residents are in the form of securities, principally bonds and debentures. Mortgages and real estate constitute smaller proportions and cash is relatively unimportant.

As is to be expected, the remittances of funds between Canada and other countries connected with these assets are considerable. Other remittances also are made, especially in connection with the direct purchase and sale of securities outside of Canada. The schedule divides outward remittances from Canada into (1) Income payments to non-residents, (2) Payments of capital to non-residents and (3) Payments for the direct purchase of securities in other countries* and distinguishes whether the payees are residents of the United Kingdom, the United States or other countries. Inward remittances to Canada are classified into (1) Receipt of fees and other administrative charges, (2) Receipt of capital from non-residents, and (3) Receipts from the direct sale of securities in other countries.* These are divided according to the country of residence of the payer. Transactions reported between Canada and both the United Kingdom and the United States have been large, whereas transactions with other countries

* See Chapter XVIII.

are relatively unimportant. Payments of income are reported only when remitted. Reinvested income is not included. Both outward and inward movements of capital have been substantial, although on balance the capital movement has been outward. This outward movement has usually been made principally by cash remittances, although in 1937 direct purchases of securities outside of Canada accounted for a large part. The movement of capital is subject to fluctuations, dependent on the circumstances connected with some of the important accounts. The net outward movement of funds in recent years has constituted a considerable part of the total net movement of capital described in this chapter.

SUMMARY

NET CAPITAL TRANSACTIONS OF INTERNATIONAL DIRECT INVESTMENTS, ETC., N.O.P.

As has been described above, three different groups of capital movements, enter into the item of the capital account described as "Net Capital Transactions of International Direct Investments, etc." This item is made up of the net transactions not recorded elsewhere of (1) British and foreign direct investments in Canada, (2) Canadian direct investments abroad, (3) Canadian trust companies. The first of these groups is customarily the most important. The other two vary in importance from year to year, but are in themselves less flexible than the first, which has changed from a net inward movement in the years up to 1930 to a net outward movement since then. It should be emphasized again that the net transactions shown are only the transactions which are not recorded in other items of the balance of payments statement, such as the interest and dividends item or the item of retirements. Although the transactions shown in this item of the capital account are, for the most part, capital movements, there are some small items of current transactions included. These are relatively small, however, and, in any case, the circumstances connected with many are closely parallel with those under which the capital movements occur. These transactions of international direct investments, etc., which have not been recorded elsewhere in the statement, have been entered as a net figure in this single item for purposes of simplicity. To attempt to show these movements in any greater detail would only lead to greater complexity and possibly to confusion. The entries appearing in the capital account of the balance of payments statements for the years since 1927 to account for the net capital transactions of international direct investments, etc., not elsewhere recorded, follow in statement XXXVII.

XXXVII. NET CAPITAL TRANSACTIONS OF INTERNATIONAL DIRECT INVESTMENTS, ETC. (N.O.P.), 1927-1937

(In millions of dollars)

Year	Net Inward Movement (Credits)	Net Outward Movement (Debits)
1927.....	27.6	
1928.....	18.1	
1929.....	15.0	
1930.....	22.9	
1931.....		1.2
1932.....		31.1
1933.....		74.3
1934.....		50.8
1935.....		52.2
1936.....		74.2
1937.....		82.6

The description of capital movements connected with direct investments shows their peculiar significance to the Canadian balance of payments. The fact that, for the most part, they are not strictly contractual, but rather are usually executed only at the discretion of the owners or managers of the companies concerned, is particularly important. The decision to transfer funds depends largely upon whether it will be profitable for the company to do so or not, whether the transfer is for the purpose of establishing or developing a direct investment or whether a withdrawal of surplus balances from the direct investment is concerned. As a consequence, it is to be expected that, under many circumstances, these transfers will have equilibrating effects upon the Canadian balance of payments, although in some periods of uncertainty the transfers might have disturbing effects. The importance of the transactions upon short-term movements in exchange is probably much greater than their relative volume would suggest. It seems, however, that it would be very difficult or impossible satisfactorily to demonstrate these short-term relationships statistically.

Considered from a long-term point of view, the statistics reveal what a marked change has taken place in these movements. It is apparent that the period of rapid development of direct investments in Canada, by means of imported capital, terminated about the time of the depression and that the Canadian balance of payments has experienced an important change as a result. Outward movements of funds have been increasing in recent years and, to a considerable extent, these have been related to the post-depression growth in Canadian exports. The earnings of direct investments dependent upon the export trade have expanded, making it possible to transfer balances to parent companies and head offices. As a result, debits arising from the large dividend payments to parent companies and other shareholders outside of Canada, as well as from large repayments of capital, have offset, in part, the credits from the balance of commodity exports. These "invisible" debits must be taken account of in any consideration of the effects of Canadian exports, especially metal exports, upon the Canadian balance of payments in recent years. Many of the transactions giving rise to capital debits are comparable to remittances of earnings in some respects; for, although nominally repayments of capital and having many of the characteristics and effects of short-term capital movements, they are closely related to the earnings of the direct investments in Canada.

As regards the effects of the movements of capital recorded in this item upon the Canadian balance of international indebtedness, it should be pointed out that many of the transactions do not affect international assets and liabilities in quite the same manner as some other types of capital movement. This applies especially to some transactions recorded as debits. Although debits in the capital account generally imply that either Canadian assets abroad are being increased or Canadian external liabilities are being reduced, sometimes the effects upon international indebtedness are less clear-cut. Some of the debits, for instance, are in effect offsetting items reducing the apparent credits on current account. An illustration is provided by the increase in external assets of Canadian companies owned and controlled abroad arising from the export of merchandise from Canada on consignment or the transfer abroad of surplus balances of the Canadian subsidiaries of foreign companies; or debits may arise from the remittances of Canadian companies to subsidiaries abroad to meet deficits. Then, again, debits arising from reductions in the liabilities abroad of direct investments often have the effect of increasing the value of the equity in Canada of the parent company. However, regardless of these often obscure and sometimes anomalous effects upon the balance of international indebtedness, such movements have many characteristics giving them a significant place in the capital account of the Canadian balance of international payments.

CHAPTER XX

Insurance Transactions

Because insurance business is frequently international in its scope, the activities of this type of financial concern demand a place in studies of the balance of payments and international indebtedness. The operations and investments of such companies have characteristics which must be specially examined when their place in the international accounts of a country is being considered. British and foreign companies have important branch operations in Canada, and also Canadian insurance companies have external operations which extend into most parts of the world. There were, in 1936, fourteen British and twenty United States companies which were registered with the Dominion Insurance Department to transact life insurance in Canada. In the same year the number of British companies registered to transact fire or casualty insurance in Canada was sixty-eight and the United States and other foreign companies of this type numbered one hundred and fifty-one. Besides these companies, there were some registered under provincial insurance acts; and some transacted marine and inland marine insurance, for which no certificates of registry are required under the Insurance Acts. At the same time, there were fifteen Canadian life insurance companies and twenty-one Canadian fire and casualty insurance companies carrying on business outside of Canada.

Most of the business carried on by British and foreign companies is transacted by branches in Canada which, in many respects, are similar to internal companies. That is, their operations are, to a large extent, domestic, and do not give rise to international remittances. Their income in Canada is generally available for Canadian disbursements, and any surplus income there may be is frequently invested in Canadian securities. There is a tendency for these companies to build up Canadian assets against liabilities in Canada, because Canada is a favourable field for investment. It will be seen later that the activities of Canadian insurance companies in other countries do not give rise to transactions affecting the balance of international payments to the extent which might be expected from the size of the operations abroad.

INTERNATIONAL INVESTMENTS

BRITISH AND FOREIGN INSURANCE COMPANIES IN CANADA

Investments of such companies must be examined in order to ascertain the international indebtedness arising from their operations. It is apparent that the Canadian assets of the branches in Canada of British and foreign companies do not represent a clear "equity" or "claim" against Canada since the liabilities in Canada offset a substantial part of the assets. The principal item of the liabilities of life insurance companies is, of course, the net reserve which is an actuarial calculation of the "net liability in Canada under assurance, annuity, and supplementary contracts in force for payments not due, dependent on life, disability or any other contingency or on a term certain." As an illustration, at December 31, 1936, the assets in Canada of British life insurance companies were valued at \$71.1 million while the liabilities were \$36.2 million, leaving a net investment of \$34.9 million. The figure for net investment is slightly on the high side because the assets of the Canadian branches include some British or foreign securities and, in a few cases, Canadian securities that were originally sold outside of Canada and have, therefore, already been taken to represent outside investment in Canada. At the same date, the assets in Canada of United

States life insurance companies were valued at \$506·5 million and their liabilities at \$428 million, of which the net reserve accounted for \$404·8 million; and the net assets of these companies, therefore, amounted to \$78·5 million at that date. It is necessary to allow for these estimated liabilities because of the fiduciary nature of the insurance business, giving rise to obligations to policyholders and others. Of course, the investments of British or foreign companies in Canada may not be limited to the assets held in Canada by the Canadian branches. They may also hold Canadian securities in their head office portfolios. These investments are comparable with the other portfolio holdings of Canadian securities by non-residents and are treated as such in the general records of British and foreign investments in Canada. Similarly, some British and American insurance companies have substantial investments in mortgages in Canada. When these are home office investments they have been included in the item of "Miscellaneous Investments" in the statement of British and Foreign Investments in Canada, since they have no direct connection with the Canadian branches of the companies.

In Table 1 on British and Foreign Capital Invested in Canada, the insurance item is limited, therefore, to the net assets held at the branches of British and foreign insurance companies in Canada, along with the value of the equity of non-resident shareholders in Canadian insurance companies.

CANADIAN INSURANCE COMPANIES WITH OPERATIONS ABROAD

The income, disbursements, and investments of the branches of these companies located abroad frequently do not give rise to remittances between the branches and the home offices. In many respects the transactions are entirely outside of Canada and do not directly touch the Canadian economy at all. A comparison of their assets and liabilities outside of Canada shows that the liabilities exceed the assets. At the end of 1936 the assets held outside of Canada by Canadian life insurance companies were valued at \$646·2 million, while liabilities were \$871·9 million, of which \$791·6 million represented the net reserve against risks in other countries. It is apparent that Canadian insurance companies do not hold net assets abroad at their branches comparable to the net assets of British and foreign companies in Canada, for the liabilities outside of Canada exceeded the assets held outside by over \$200 million, though this general relationship does not hold in every country. In the United States, for instance, there has been a slight excess of assets over liabilities in recent years. It does not follow that this represents a clear-cut Canadian equity in the United States, as the excess of assets held there may represent securities held against the liabilities of the companies arising from risks underwritten in countries other than the United States and Canada.

A large part of the assets held outside of Canada is represented by foreign securities. All of the foreign securities owned, however, are not held outside of Canada. At the end of 1936, the foreign securities held in Canada were valued at \$175 million. These are shown in the statement of Canadian investments abroad because of their origin, although the interest and dividends received from them may not always be remitted to Canada. Assets held outside of Canada have not been shown as Canadian investments because of the excess of liabilities abroad. Such assets, however, have significance in relation to the Canadian economy, in that being represented for the most part by marketable securities they are mobile and may be transferred to or from Canada. This mobility will be referred to later.

Growth in the assets and liabilities of Canadian life insurance companies outside of Canada between 1926 and 1936 is illustrated in Table 25. In each

year the liabilities have exceeded the assets and the excess has increased in recent years. Liabilities have grown from \$321.9 million in 1926 to \$871.9 million in 1936, while the assets have increased from \$237.3 million to \$646.2 million. At the same time, the increase in the value of the foreign securities, many of which are held outside of Canada and are therefore included among the assets held outside of Canada, has been from \$176.9 million to \$583.9 million. Absolute increases in external liabilities, external assets, and total foreign securities, have been respectively \$550 million, \$409 million and \$407 million. Percentage increases in each of the items have been 171, 172 and 230 respectively. It is apparent then that the liabilities and assets abroad have both increased at about the same rate during the period. Changes in the location of the foreign securities will also be observed. Some of these are due to purchases, redemptions, or sales, but others are the result of transfers of the securities themselves between Canada and other countries. The difference between the total assets held outside of Canada and the foreign securities held outside of Canada is due to other assets such as real estate, mortgages, loans and cash, etc., as well as substantial amounts of Canadian securities held outside of Canada. This latter factor has the effect of making the real spread between liabilities and foreign assets even greater when these are considered from some points of view. Canadian securities cannot be considered foreign assets in the same sense as foreign securities.

Details of the nationality and location of holdings of foreign securities are given in Tables 26 and 27. A steady growth is revealed during the period covered, with the exception of the years 1932 and 1933. Throughout the period, the majority of these investments have been in securities of United States nationality, although the percentages have fluctuated considerably. In 1926 American securities were less than 70 per cent of the total, while in 1930 the percentage was almost 84. In recent years the proportions have been lower, being about 76 per cent in 1936, when holdings of American securities were valued at \$447.2 million. Portfolios of United Kingdom securities have increased since 1931, and in 1936 the \$54 million held constituted about 9 per cent of the total. Holdings of securities of countries other than the United Kingdom and the United States have fluctuated irregularly. In 1936 they amounted to \$82.7 million, or 14.8 per cent of all foreign securities, which was the largest amount held at any year-end recorded in the table. Securities of British possessions occupied the most prominent place in this group. In 1936 holdings of Australasian securities were more than \$6 million and the securities of other British possessions were valued at approximately \$28 million. South America was also an important field of investment, there being \$21 million invested in South American securities by Canadian life insurance companies at the end of 1936. At the same time, the total holdings of issues of borrowers in Continental Europe were only slightly more than \$6 million, while portfolios of Japanese issues amounted to about \$13 million. There were also small holdings of the securities of Central American countries, the West Indies, and China and other Asiatic countries.

Statistics on another class of external asset, the cash of Canadian life insurance companies on deposit outside of Canada, are shown in Table 28. These deposits of cash abroad are revealed as being increasingly important. At the end of 1935 the total on deposit in banks outside of Canada was \$23.5 million, of which more than \$15 million was in the United States. The contrast between substantial deposits in banks in the United States in recent years and the small deposits before 1930 is an outstanding feature of these assets, and possibly reflects the decline in the call loan market in New York.

The large turnover in foreign securities resulting from the operations of Canadian life insurance companies is shown in Tables 29 and 30. Total value

of foreign securities acquired or disposed of during each year from 1926 to 1937 is revealed in Table 29. Included are changes in holdings due to redemptions, conversions and other refinancing operations on the part of the borrowers, as well as purchases and sales. Table 30, on the other hand, excludes transactions connected with refinancing, conversions, etc., and reflects more closely the purchases and sales of foreign securities. Such buying and selling transactions are more indicative of the operations executed at the discretion of the insurance companies.

As might be expected, most of the securities are United States issues and these are, for the most part, purchased in New York or other United States markets. Similarly, many of the transactions in the securities of other countries are also executed in those markets, while United Kingdom securities are dealt in on London markets. This characteristic of these security transactions has an important bearing in relation to their effects on the balance of payments of Canada. As the bulk of the transactions are executed abroad, through the agency of the branch offices of the insurance companies abroad, the financial transactions connected with many are entirely external to Canada and do not affect the Canadian balance of payments, as will be explained at more length in the section on "Insurance Companies and the Balance of Payments" which follows. They have been shown here, however, because of their close relation to the changes in the external assets of Canadian insurance companies. Of particular interest is the heavy volume of purchases and sales in 1936 and 1937 in contrast to earlier years.

INSURANCE COMPANIES AND THE BALANCE OF PAYMENTS

The position of insurance companies, as regards international indebtedness, has already been discussed. Consideration must now be given to the position of insurance transactions in the current and capital statements of the balance of international payments. It is true that Canadian insurance companies perform services for their policyholders in other countries and that British and foreign companies provide services for Canadian policyholders. But the extent to which these branch activities are self-sufficient has been already indicated. It can hardly be said that the services provided by a branch are imports from the country where the home office of the company is located, whose value can be estimated and recorded in the balance of payments statement. Rather, it is necessary to look for the more objective effects of the operations of insurance companies. International remittances made from time to time are frequently very substantial and have definite effects upon a nation's balance of payments. The methods employed by compilers of balance of payments statements have usually been directed towards ascertaining, if not the gross international movement of funds, at least the net movement. Various attempts in the past have been made to estimate the net result of insurance transactions by employing the statistics on insurance company operations published in government reports. For the most part, statistics available in such reports relate to such branch transactions as interest and dividends received, premium income, disbursements, changes in assets, etc.

Research into the relationship between the branch office operations indicated by such statistics and the balance of payments has disclosed that a satisfactory result could not be obtained from them. As a consequence, the Internal Trade Branch has, through the co-operation of insurance companies in Canada, obtained information on international insurance transactions on special schedules drawn up with the particular needs of the balance of payments statement in mind. These two methods of approaching the insurance item will now be examined in detail in order to illustrate more clearly the particular significance insurance companies have for the balance of payments.

Methods which employ information on the income, disbursements and investments of the external branches of insurance companies must depend upon formulae which are all based upon somewhat similar assumptions regarding the relationship between the changes in these items. For example, such a book-keeping calculation, when applied to the operations of Canadian companies outside of Canada, would be based upon the assumption that the net movement of funds between Canada and other countries would be the difference between the change in investment abroad and the net income or disbursements abroad during the period under study. But with such a formula, it is necessary that the assumed relationship between the net transfer of funds and the net change in investments abroad holds consistently. Unfortunately, there are various factors which violate this assumed relationship.

Possibly the most important of these arise from the mobility of insurance investments. Securities are frequently moved between home offices and branches abroad. As the principal markets for foreign securities are outside of Canada, such securities are generally sold or purchased outside of Canada and often there is no accompanying financial transaction between Canada and the other country. For example, securities may be purchased in New York with funds on deposit there, and lodged there; or if the securities held in the United States are in excess of the requirements of the United States branch, these may be later transferred to Canada. On the other hand, securities may be sent to the branches abroad for deposit or sale abroad. Such security movements unaccompanied by international movements of funds do not warrant a place in the Canadian balance of payments statement as they have no immediate effects upon it, and may not have any effects even in the future. Table 30, showing the sales and purchases of foreign securities each year from 1926 to 1937 by Canadian life insurance companies, reveals the magnitude of the sales and purchases. It should be remembered, however, that only a minority of the transactions represent movements of funds between Canada and other countries.

Another factor influencing changes in the investments of a branch may arise from different valuations being placed upon the securities held. There are, at times, write-downs or write-ups to account for changed values.

Again, while the net income and change in investment during a period may indicate a transfer of funds to or from Canada, actually these may only reflect a transfer of balances between branch and head office bank accounts in financial centres outside of Canada, such as London or New York.

Similarly, any attempt to apply a bookkeeping formula to the transactions between Canada and any one other country is defeated by the possibility that investments in the United States, for instance, may be increased because of the transfer of surplus income from countries other than the United States or Canada. Increases in assets in the United States, in such cases, are due not to transfers of funds from Canada, but rather to transfers of funds to the United States from other countries. That is, they are transactions which have no direct bearing upon the Canadian balance of payments at all. This movement of the surplus income of the branches in other countries direct to New York is a common occurrence.

It should also be remembered that receipt of interest and dividends by a branch abroad from investments held abroad is not a balance of payments transaction unless the amounts received are transferred to Canada. Generally, such amounts received outside of Canada are retained there and used for disbursements arising in the business of the non-Canadian branches.

It is apparent, then, that various factors are at work influencing the valuation of investments and the disposition of surplus income abroad in such a way as to invalidate any use of these to measure the net annual movements of funds

connected with insurance transactions. The actual occasions when funds are transferred between insurance offices in different countries are, in fact, unpredictable. They depend, for the most part, on the investment policy pursued by the company and upon the numerous market circumstances related to the investment policy. In appearance, these movements of funds are, for the most part, the transfer of surplus balances in one centre of financing to another where there happens to be more need for cash, or where the opportunities for investment are more favourable at the time. The source of the funds can not be readily distinguished. That is, if interest and dividends due on foreign securities held in Canada are collected in New York by a company this revenue will normally be deposited in the company's accounts in New York and will immediately become indistinguishable from funds originating from other sources, such as premium income or the sale of securities. Hence, when funds are transferred to home offices, they cannot usually be earmarked according to their origin and designated as interest and dividends received on Canadian holdings of foreign securities or as income from the sale of "services" in the United States. Consequently, the most desirable place for inclusion of the insurance item in a balance of payments statement seems to be among the capital items. The transactions are more akin to capital transactions than to the service transactions of the current account. They appear more like capital transactions, as they are normally executed only when a transfer is considered desirable and are not on the same basis as regular income payments. That is, they are inclined to be unpredictable and are not, in any sense, analogous to a current income which varies closely with the general condition of trade. Transfer of balances is more closely parallel to investment transactions.

Although the above discussion has referred principally to the transactions between companies in Canada and their branches outside of Canada, very much the same principles apply to the operations of the branches and agencies in Canada of the British and foreign companies. It should now be apparent from the discussion why it has been found necessary to obtain records of the movements of funds specially for the balance of payments statement. Such information has been collected by the Bureau on two schedules, one for Canadian companies and another for British and foreign companies with branches or agencies in Canada. The schedule for the Canadian companies is in three sections which call for the following information:—

- I. Movements of funds between insurance companies and their branches, agencies, bank accounts and shareholders abroad.
- II. Movements of funds between Canadian insurance companies and other companies, policyholders or individuals outside of Canada not included in Section I.
- III. Transactions that must be taken account of as debits in the Canadian balance of payments to cover situations arising when interest or principal on certain Canadian bonds is collected in sterling or United States dollars and not remitted to Canada.

There are certain transactions excluded from the first section because of their inclusion in other items in the balance of payments statements. Among those excluded are the transfers of funds resulting from the purchase or sale of securities outside of Canada through brokers or other security dealers resident in Canada, since a monthly record of Canada's international trade in securities is obtained from these reporting agents in Canada. However, if a Canadian insurance company purchases or sells securities in a market outside of Canada directly and not through the agency of a Canadian broker or dealer, and if there is a transfer of funds between Canada and the other country in connection with the transaction, these movements will be reported on the schedule.

Interest or principal payments on Canadian bonds held in Canada with an option of payment in a foreign currency, when these payments have been collected abroad and transferred to Canada either immediately or subsequently, are also omitted from the schedule. If, however, the interest or principal is retained abroad and not remitted to Canada this must be accounted for in those cases where the securities involved are recorded as being held in Canada in the bond records used in connection with the estimates of international indebtedness.

The schedule sent to the British and foreign companies operating in Canada is divided into two sections as follows:—

- I. Movements of funds between branch or agency in Canada and head office or other offices outside of Canada.
- II. Movements of funds between branch or agency in Canada and other companies, policyholders or individuals outside of Canada not included in Section I.

Certain transactions are also omitted from this schedule; viz., those movements of funds connected with the international purchase or sale of securities through brokers or other security dealers resident in Canada. Transfers between branch and head office bank accounts in Canada are excluded from the two sections, but are reported separately under "remarks" and are followed up specially when the amounts seem significant. Also omitted are remittances to home offices of interest and dividends on Canadian securities held outside of Canada, since such payments are recorded elsewhere. It should be noted that if funds are transferred by United States companies in Canada to their home offices for direct investment in the New York market, these amounts will be recorded on the schedule as part of the outflow of funds.

The inclusion of Section II in these schedules takes account of the international remittances that arise from transactions other than inter-company movements. Some of these transactions are carried out directly with policyholders residing in a different country from the insurance office. Some are with other individuals and companies and, in this way, remittances connected with reinsurance arrangements in other countries are not overlooked.

There is one class of insurance not completely taken account of by these schedules. Companies engaged solely in the underwriting of marine and inland marine insurance risks are not included among those receiving the schedules. But international remittances in connection with these risks are included on the schedules when the risks have been underwritten by companies engaged in the other branches of insurance. It is not believed that the omission of the remittances of Canadian companies engaged exclusively in the marine insurance business is serious. It would appear that the amounts involved are not large, and that marine insurance is best considered independently of the insurance item, as these transactions are, for the most part, directly associated with the commodity trade. Most, if not all, of the marine insurance business underwritten in Canada will be in connection with the transportation of exports, and usually the costs are finally borne by the purchaser abroad. Insurance on imports to Canada will generally be written by insurance companies abroad. This insurance is an additional Canadian payment which should be taken account of, but the most practical method of doing this is by an estimate based on the value of imports from overseas, which should be included among transportation costs. Marine insurance on Canadian vessels, when placed with companies outside of Canada, will be included in the expenditures of Canadian shipping companies outside of Canada which are reported to the Bureau for the calculation of the shipping and freight item of the balance of payments.

It should be noted that the companies whose movements of funds have been recorded are limited to those registered with the Dominion Department of

Insurance. However, Dominion registered companies account for the bulk of the insurance business in Canada. Of the net life insurance in force in Canada, December 31, 1935, more than 97 per cent was with Dominion registered companies.

MOVEMENT OF FUNDS, 1926-1937

The statistics collected on the two schedules already described are presented in various ways in Tables 31 to 38. It should be remembered that the movements of funds represented are limited to those which have not been recorded in other items of the balance of payments statement. In particular, movements of funds in connection with international purchases or sales of securities which have been executed through the medium of brokers, investment dealers or other agencies resident in Canada are not included in the insurance item as they are already included in the record of the international trade in securities. Other movements specifically omitted have been mentioned above.

In describing the general characteristics of the movements of funds during this period, no attempt will be made to provide explanations for the tendencies revealed. Transactions of numerous individual companies do not move consistently in the same directions. Nevertheless, during this period the movements of funds between Canada and other countries have had very definite characteristics. From 1926 to 1928, the net movement was outward but in 1929 this direction was reversed with a large net inflow of \$19 million which fell off to \$9 million in 1930, but expanded to \$34 million in 1931, in which year the gross inward movement was \$41 million or the largest inward movement recorded in the eleven-year period. In the three years which followed 1931 the net movement was negligible, being only \$1 million outward in each of 1932 and 1933 and \$3 million inward in 1934. In 1935 another reversal of direction took place when there was a net outward movement of \$18 million which in 1936 had grown to \$26 million. The total outward movement of \$45 million in 1936 was the largest in any year during the period recorded. In 1937 the net outward movement continued, but on a much reduced scale.

An examination of the movements of funds in each year shows that the net outward movements in 1926, 1927 and 1928 were to both the United Kingdom and the United States, and the movements from 1929 to 1931 were from both countries. In each of these years the movements between Canada and the United States were heavier than those between Canada and the United Kingdom, although consistently in the same direction. However, in the three years 1932 to 1934, when the total net movement was not pronounced, there was a net movement from the United Kingdom to Canada which was more than offset in the first two years by the net movement from Canada to the United States, and partly offset by this latter movement in 1934. In 1935 and 1936 the outflow of funds was towards both of these countries which was a resumption of the movement characteristic of the years before 1929, but in much greater volume. In 1937 this movement to the United States continued. In no year were the movements of funds between Canada and countries other than the United Kingdom and the United States heavy, the practice of the large Canadian companies to accumulate, in London and New York, balances from their surplus income from branch operations in countries other than the United Kingdom and the United States being the probable explanation.

Other interesting aspects of these movements are revealed by an inspection of the classes of companies concerned. In each year up to 1932, the net movements were, in the case of both Canadian companies and other companies, in the same direction as the total net movement. But in 1933, although there was a net total outward movement from Canada of only \$1 million, the Canadian com-

panies accounted for a net inflow of \$13.5 million, while the net outflow from Canada reported by United States and foreign companies was \$14.7 million, and the net inflow from British companies was \$0.2 million. In 1934 much the same tendencies were apparent except that the net inward movement to the Canadian companies exceeded the net outward movement from the other companies in Canada. In 1935 the net inward movement to the Canadian companies dropped to \$2 million, while the net outward movement from other companies increased to about \$20 million. In 1936 the movement to the Canadian companies, characteristic of preceding years, changed to a net movement from Canada of about \$3 million, while the net movement from the other companies remained about the same. In 1937 the net inward movement to the Canadian companies was resumed.

This analysis of the international remittances of insurance companies demonstrates how unpredictable these transactions are. There has been no consistent trend or total net movement that may be considered typical. However, although there have been some abrupt changes in direction from one year to another, it appears that a definite movement in one direction is usually maintained for several years. This suggests that the basic factors underlying the movements of funds may be subject to changes that require some time to develop.

Remittances of the British and United States companies show more consistency in their direction than do those of the Canadian companies. In nine of the dozen years covered, the direction of the remittances from the British and United States companies was outward. They have been heavier in the past six years than in any of the earlier years recorded. This net movement was interrupted only in the years from 1929 to 1931. Remittances of the Canadian companies have been outward in four years and inward in eight. The year when this movement turned inwards coincides with the year when the remittances of the British and United States companies turned inward, but the inward movement to the home offices of the Canadian companies was of much greater magnitude and was sustained in the remaining years with the exception of 1936.

Another interesting characteristic of the movements is that in only three years were the net movements small. Furthermore, the net movement has customarily represented a substantial proportion of the total movements each year.

CHAPTER XXI

Other Capital Movements

Changes in international short-term assets and liabilities constitute the most important group of capital movements which have not been dealt with already. It is true that numerous short-term movements are connected with such items as insurance transactions, the capital transactions of international direct investments, and the international trade in outstanding securities, and have been considered in those specific items; but there is still to be examined the large group of other short-term transactions which have their origin mainly in the operations of Canadian banks, though some arise from other sources.

Such short-term capital movements are very diverse in character and knowledge of them has usually been limited to the "net" movements which have been deduced from changes in assets and liabilities. Even the data on net movements are erroneous to the extent that their fluctuations are due to changes in values or other independent factors rather than to actual movements of funds.

Existing statistics of short-term assets and liabilities are also inadequate for the purpose of making any comprehensive study of causes and effects. This type of international transactions is executed mostly by or through banks, and the data concerning them are classified in the terminology of banking accounting (foreign deposits, bills payable, current loans, call and short loans, etc.). The primary purpose of such a classification is to indicate liquidity or some other characteristic significant from the banking point of view. In connection with the balance of payments and international indebtedness, other aspects are of prime importance. Knowledge concerning origin and purpose is indispensable if economic significance is to be accurately appraised. In this connection, it is of importance to consider the extent to which international short-term assets and liabilities are the official balances of governments or central banks, or balances of commercial banks, of corporations or of individuals, and the purpose they are meant to serve.

As to purpose, the possibilities cover a wide range of economic activity. There is, for example, monetary policy, since some balances are employed for monetary purposes. Foreign assets used in this manner attract special attention and have a significance quite distinct from those held for purely commercial purposes. Among the latter are those of companies with international operations which maintain short-term balances abroad to meet current commitments. Many of these have been included and described in the chapters on the capital transactions of international direct investments, insurance companies, and freight transactions. But other firms not coming in these classes which export or import merchandise may have fluctuating assets and liabilities in foreign currencies. Foreign balances may also be acquired against maturing external capital obligations. Speculative profits from exchange fluctuations may be the cause of short-term foreign assets to the credit of individuals or corporations. Political and economic uncertainties have given rise to international movements of "fugitive" capital which is also known under the caption "hot money" since the stability of such balances is subject to psychological and other volatile factors. Differentials in short-term interest rates in the capital markets of different countries are another source of movement.

Not only the purposes but also the circumstances connected with the acquisition and disposal of foreign assets are of significance for the balance of payments. If the assets have been acquired by an international transfer of funds, they belong to a different category from the point of view of the balance of payments than if

they were the result of a switching of foreign assets, such as the conversion of long-term into short-term, or if they originated in current external revenue or in the proceeds of an apparent, though not actual, import of capital.

Moreover, the decision as to whether a transaction should be entered in the capital account as a short-term capital movement is often dependent upon how related items have been treated. "Offsetting" entries in the capital account are sometimes necessary, and have to be classified as short-term capital movements and so entered in the balance of payments statement, though no actual transfer of funds has taken place.

This general outline is sufficient to indicate the great diversity of international short-term assets and liabilities and should make it clear that the ideal statistical classification of such transactions would vary according to the purpose for which it is made. For an ideal statement of international indebtedness, it would be necessary to have gross short-term assets and liabilities classified in various ways to bring out the particular significance of the different kinds of indebtedness. For example, it would be of interest to know whether or not foreign balances were covered against exchange fluctuations by forward exchange contracts. For a balance of payments statement the ideal data would reveal the actual movements of funds resulting from changes in the short-term assets and liabilities, including information on the character, causes and effects, and relation to the other items of the current and capital accounts.

Existing data fall far short of the ideal. International short-term assets and liabilities affecting the Canadian balance of payments arise, for the most part, through the operations of the Canadian banks. In so far as this is the case, they must be traced through those channels; but the consideration of the foreign assets and liabilities of the chartered banks is complicated by the existence of foreign business. As is well known, some of the Canadian chartered banks have important operations outside of Canada, maintaining, as they do, branches and agencies in other countries. A general banking business is conducted through some of the branches in other countries, particularly in Latin-American republics. As a consequence, the banks have incurred deposit and other liabilities in these countries as well as loans, discounts and other assets outside of Canada resulting from the branch operations. A considerable proportion of the external assets and liabilities of the Canadian chartered banks are the direct result of the business of foreign branches and not the result of any movement of funds from Canada.

However, the external assets have customarily exceeded the external liabilities, indicating that a substantial part, at least, of the assets abroad is traceable to Canadian head offices. Reasons for this are easily found. As Canada is a country with a large volume of commercial and financial transactions with other countries and as, with one exception, there have been no branches of external banks in Canada in recent years, it is to be expected that a large volume of Canada's international transactions is executed through the medium of the Canadian banks. The floating assets of the Canadian banks abroad, consequently, fluctuate as a result of these transactions and this is the source of some of the fluctuations in foreign assets. Under normal circumstances fluctuations of banking assets are among the factors acting to off-set temporary changes in the balance of payments, in this way assisting in relieving seasonal pressure and other disturbing influences upon the exchanges.

The Canadian banks also have external operations on their own account. The practice has been followed of carrying some secondary reserves in the form of foreign assets. This was more characteristic of operations some years ago. In various periods substantial reserves have been invested in the short-term money markets of London and New York. Call loans and commercial paper have been a convenient form for such short-term investments, providing assets

which could be easily liquidated with no adverse effects on Canadian capital markets. In this way bank cash for Canadian credit requirements could be readily obtained. Assets abroad have also supplied a source of foreign funds to meet foreign exchange obligations. The practice of holding secondary reserves outside of Canada has been less characteristic of recent years, however, with the development of capital markets in Canada. Then, with the establishment of the Bank of Canada in 1935, another group of foreign banking assets has come into existence.

A public statement is issued each month regarding the condition of the chartered banks, and certain groups of foreign assets and liabilities are revealed in this return. Among the foreign assets identified are: gold and subsidiary coin held elsewhere than in Canada; government and bank notes other than Canadian; amounts due by banks and correspondents in the United Kingdom, and elsewhere than in Canada and the United Kingdom; public securities other than Canadian; call and short loans elsewhere than in Canada; and current loans elsewhere than in Canada. Foreign liabilities are indicated in the following items: deposits elsewhere than in Canada; deposits by and balances due banks and correspondents in the United Kingdom, and elsewhere than in the United Kingdom and Canada; and bills payable.

But, as some external items are not disclosed by these classifications, and as those that are shown are not all adapted to the purpose of the balance of payments, annual changes revealed by the data shown in the monthly condition statements are not sufficient for the capital account of the balance of payments statement. As an illustration, deposits elsewhere than in Canada may be made up of the deposits of residents of Canada as well as the deposits of foreigners; and this item, therefore, does not present the international liability exactly, although it does represent the liability of the banks in foreign currencies. The item also includes foreign currency deposits in Canada, although these have been shown separately as well in recent years. The possibility of different situations accompanying foreign currency deposits in Canada also creates obstacles in the way of taking account of changes in foreign deposits in the balance of payments. Likewise, other items in the published monthly condition statement are not of a kind suitable for calculating the movement of banking funds, required for the balance of payments statement. A decline in net foreign assets would indicate the net credits and an increase would indicate the debits to be taken account of in the statement. But this procedure would be invalid in so far as the changes in the apparent net assets abroad were due to factors unaccompanied by movements of funds or to transactions elsewhere recorded in the balance of payments statement.

Accordingly, a statement of net assets abroad more adapted to the purposes of the balance of payments statement is obtained each year from the Canadian Bankers' Association. The net annual change in these assets as reported is entered in the capital account of the balance of payments statement, an increase in assets being recorded as a debit and a decrease as a credit entry. Since the establishment of the Bank of Canada, the net change in the external assets of that institution had also been taken account of in the banking item.

Before the fluctuations in the foreign assets of the Canadian banks since 1926 are described, some mention should be made of the other groups of international short-term assets and liabilities in which the changes are not recorded in the balance of payments statement because of lack of complete information. Among these are foreign deposits in the Canadian banks when these are in Canadian currency, and some short-term foreign assets and liabilities of Canadian individuals, corporations and governments when these are not held through the medium of Canadian banks. Examples are provided by the

Canadian currency deposits of foreign "fugitive" capital in Canadian banks, some deposits of Canadians in United States banks, money loaned on call in the New York money market by Canadian corporations, bills drawn on buyers abroad by Canadian exporters and not discounted at Canadian banks, "frozen" merchandise credits, etc. It should be pointed out, however, that probably the bulk of the international transfers of funds of many Canadian companies are recorded elsewhere in the capital account of the balance of payments. Among these concerns are insurance companies, transportation companies, Canadian companies with direct investments abroad, companies or branches which are directly controlled in Great Britain, the United States, or elsewhere, and trust companies. For instance, any movements of funds connected with short-term investments of Canadian insurance companies in New York are included in the insurance item of the capital account.

An examination of the annual changes in the net foreign assets of the Canadian banks as reported to the Bureau and shown in Statement XXXVIII reveals the extent to which these external assets have been reduced during the period under study. The sharpest reductions occurred in 1928 and 1929, in which period the net drop was \$174.4 million. The downward movement, interrupted in 1930, was resumed in 1931 and continued downward for three years at a reduced rate, while an appreciable increase in external balances is evident in 1934 and 1937.

Complete interpretations of these changes in the volume of external banking assets is difficult because of the complex background influencing them described above. The changes have been principally in the assets rather than in the liabilities and this in itself throws a certain amount of light upon the general explanation for the reduction in net assets. The reduction has evidently been due to other reasons than a reduction in the foreign branch business. Head office operations have no doubt been responsible for a considerable part of the reduction, although the general decline in the external commercial and financial relations of Canada during the depression must also have been a contributing factor. Although the decline in short-term money rates in New York may have contributed to the low level of foreign assets in recent years, it should be noted that a large part of the withdrawal of assets took place in 1928 and 1929 while short-term interest rates were still high.

To consider adequately the monetary aspects of the annual change in net foreign banking assets, it would be necessary to examine the other changes in the balance of payments each year, together with the circumstances connected with them, as well as the internal monetary background in Canada. As this chapter is concerned more with description than with interpretation, the latter more complex aspects will not be dealt with here.

XXXVIII. ANNUAL CHANGE IN NET ASSETS OF CANADIAN BANKS ABROAD,
1927-1937

(Declines represented by net credits and increases by net debits)

(In millions of dollars)

Year	Net Credits	Net Debits
1927.....	16.1	.....
1928.....	86.6	.....
1929.....	87.8	.....
1930.....	.....	0.4
1931.....	27.7	.....
1932.....	37.7	.....
1933.....	23.9	.....
1934.....	.....	18.9
1935.....	0.1	.....
1936.....	2.6	.....
1937.....	.....	13.1

CHAPTER XXII

Geographical Distribution of Transactions in the Canadian Balance of Payments

Special qualifications apply to the distribution of balance of payments transactions by countries. Such may not be interpreted in the same manner as a statement of transactions between one country and all other countries, as the two types are not entirely analogous, quite apart from the statistical difficulties peculiar to a statement between two countries.

The principal difference between a statement of transactions with all countries and one between two countries lies in the relationship between the balancing items of the current and capital accounts. In the former type of statement the balancing items in the current and capital accounts must, theoretically, in a perfect statement, exactly offset one another. In practice, of course, such accounting accuracy is not attainable, and errors and omissions in the statement are reflected by the difference between the balancing items of the current and capital accounts. This close relationship between the balancing items of the current and capital accounts is a well founded assumption in theory because, in so far as debits and credits on current account do not balance, there must of necessity be offsetting transactions on capital account, although some of these may be of a transitory and elusive nature.

A statement of balance of payments transactions between two countries, in contrast to one for a single country *vis-à-vis* the rest of the world, does not imply in theory a close relationship between current and capital transactions. For in transactions between the two countries there is a third factor, the possibility that debits or credits arising between the two countries may be offset by credits or debits arising from commercial or financial transactions with a third country. For example, credits obtained by Canada from trade with other countries may be used in settling debits in the United States of either a current or a capital nature. The possibility of settlement being made through transactions with a third country is a factor giving a statement of payments between two countries its peculiar character, in so far as there is freedom in exchange transactions between the currencies of the two countries.

Besides the peculiar character of a statement of transactions between two countries, there are the special statistical difficulties attendant upon the segregation of transactions between countries. For, while the exact distribution of many transactions is recorded, information on the geographical distribution of many other transactions is less precise. In fact, in tracing the final incidence of some transactions it is often necessary to rely upon judgment, as the real incidence of a transaction may lie concealed beneath the surface appearances of a situation. At times an arbitrary estimate of the final incidence of a transaction is unavoidable. In some instances where entries in the statement are in effect offsetting entries, a transaction appearing in a statement of payments between two countries may be offset by a transaction with some other country. Statements of transactions between Canada and another country or limited area are, therefore, subject to more qualifications than a statement of the balance of payments between Canada and all countries. They do, however, illustrate the general character of commercial and financial transactions between Canada and the areas concerned. Finally, it should be noted that the classification of transactions by countries is generally based upon the final incidence of the transactions rather than the currency in which they were executed.

Some of the particular types of situation giving rise to difficulties in classifying transactions geographically should be pointed out. The countries of origin and destination of merchandise imports and exports have been taken as classified in Canadian trade statistics, although it is known that some situations affect the significance of the country of origin or destination as classified in those statistics, when considered from the point of view of the balance of payments. Statistics on tourist expenditures do not permit an exact distribution of the trade between Canada and the United Kingdom and Canada and other overseas countries, although the trade between Canada and the United States is broadly delineated.

Statistics on interest and dividend payments reflect the country of beneficial ownership or country of original sale rather than the currency in which the payments are made. Thus, interest on a Canadian bond owned in Great Britain but cashed in United States dollars appears in the tables as a payment of interest to the United Kingdom. The distribution of the interest and dividends item, however, in at least one important instance, may distort the balance of payments between Canada and the United States when considered separately, as dividends entered as a debit against Canada in the statement of transactions between Canada and the United States must be related to credits appearing in the statement of transactions between Canada and other countries. Situations such as this introduce unavoidable anomalies in a statement between two countries. The freight item and the various other miscellaneous groups of services are generally based upon records in which the country of incidence is definitely ascertainable, though there is an element of estimation present in the calculation of some freight transactions, more especially in those for earlier years.

Distribution of capital movements by countries presents peculiar problems, as the evidence of a financial transaction between Canada and the United States, for example, does not necessarily imply that the capital movement was on account of a resident of the United States. To illustrate, new issues of Canadian securities when floated in London or New York may be bought by investors in some other country. Similarly, when the securities are retired, the apparent outward movement of capital may be to the United States whereas the beneficial owners reside elsewhere. The statistics of new issues and retirements in most instances are based on the country of original sale, and therefore do not exactly reflect movements of capital between Canada and the country of beneficial ownership, and may overestimate movements of capital between Canada and the United States and Canada and the United Kingdom, and underestimate movements between Canada and other overseas countries. The item "Other Security Transactions," the recorded international trade in securities since 1933, likewise may underestimate transactions between Canada and countries other than the United States and the United Kingdom, although transactions executed directly between Canada and the "other countries" are recorded as such. The Canadian purchases of Latin-American and European securities in the years before 1933 have been entered in the analysis of transactions as transactions with "other countries," although the securities were usually sold in Canada by underwriting syndicates in New York, and the immediate flow of funds was from Canada to the United States.

Annual changes in the net assets of Canadian banks in the United States, the United Kingdom and other countries have been taken as reflecting movements of capital between Canada and the countries concerned, although some of the changes may have been due to movements between the countries abroad rather than between those countries and Canada. The total net movement between Canada and all countries would not be affected by such changes in the

external distribution of foreign assets, and it does not seem improbable that the movements between Canada and each country are broadly if not exactly outlined.

Insurance transactions shown geographically are the movements of funds between Canada and each country as reported by the companies concerned. The item therefore measures the direct remittances between Canada and each country or area. It does not necessarily reflect the country in which surplus balances may have originated, or the countries abroad to which balances may ultimately be transferred. For example, if funds have been transferred from the New York office to the Canadian head office of a company with international operations, this does not necessarily give rise to net payments by the United States to Canada when considered from the American point of view, as the balance transferred to Canada may have first accumulated in New York, from the surplus income from the operations of the Canadian insurance company in countries other than Canada and the United States. Consequently, there would not be a net payment by the United States from the point of view of that country, although Canada under such circumstances would record a receipt.

In the item of capital movements reflecting principally the operations of international direct investments, transactions have been generally classified according to the country of ownership in the case of British and foreign investments in Canada, and the country of location in the case of Canadian direct investments abroad. This procedure results in the country of final incidence being recorded, although some anomalous situations arise when a statement of transactions between Canada and a single country is considered separately. For example, some United States concerns with branches or subsidiaries in Canada receive considerable amounts of the revenue from the sale in overseas countries of the products of their Canadian branches. In other words, the United States, rather than Canada, receives the proceeds from the sale of some Canadian exports to overseas countries. Thus, because of the exports, credits are entered in the statements of transactions with overseas countries which are offset in the statement of transactions between Canada and the United States by dividends or capital debits.

Sufficient description of particular situations arising in the geographical distribution of transactions has been given above to illustrate the general qualifications that apply in interpreting a balance of payments statement between two countries. For purposes of broad interpretation, and for revealing underlying transitions in the character of Canada's international commercial and financial transactions, statements of transactions by countries provide valuable data. They should be regarded, however, as generally less accurate than the statements of the balance of payments with all countries.

GEOGRAPHICAL DISTRIBUTION OF CURRENT ACCOUNT TRANSACTIONS IN GOODS, GOLD AND SERVICES, 1926-1937

The Canadian balance of international payments has displayed fairly definite outlines throughout the period from 1926 to 1937, as far as the general geographical distribution of current account balances is concerned, as may be observed from Tables 52-55. The principal source of net credits has been the trade with the United Kingdom and other overseas countries, whereas current account transactions with the United States have customarily resulted in substantial net debits, particularly in the earlier years of the period. Credits have exceeded debits on current account transactions with all countries in the twelve year period except from 1929 to 1932. In the first two of these exceptional years current debits arising from transactions with the United States were unusually large, while in 1929, 1930 and 1931 debit balances

resulted from current account transactions with the United Kingdom. Examination of the current accounts between Canada and the United Kingdom, the United States and other countries elucidates the particular character of the commercial relations of the Dominion with each of those three areas.

In current account transactions with the United Kingdom, shown in Table 53, the merchandise trade and interest and dividends have been the most important items each year, although from 1933 to 1937 credits from sales of gold have in some years been quite substantial as well. The other groups of transactions—the tourist trade, freight receipts and payments and miscellaneous services—have not been of primary importance in so far as their net effects upon the balance of payments are concerned. Credit balances from the merchandise trade have been the rule, ranging from \$293·0 million in 1926 to \$62·9 million in 1930. There were also credit balances from gold supplementing these in 1928 and 1931 and in each year from 1933 to 1937. Offsetting in part the credit balances from merchandise and gold there have been the debit balances arising from the other groups of transactions, notably interest and dividends. The result has been that credits have exceeded debits from current account transactions each year from 1926 to 1937, with the exception of 1929, 1930 and 1931. In those three years a combination of circumstances, in which reduced credits from the merchandise trade occurred in the same years in which debits on account of interest and dividends were exceptionally high, resulted in the development of debit balances on current account of \$62·2, \$73·3 and \$44·6 million respectively.

The current account between Canada and the United States has resulted in debit balances of varying size in every year, with the possible exception of 1935, when estimated debits and credits practically balanced. In each of the principal items the characteristic direction has been maintained throughout the twelve years. Thus, customarily in each year the total debit balances from merchandise, interest and dividends, freight receipts and payments, and, in some years, from miscellaneous services, exceeded credits from gold and the tourist trade. However, varying trends and degrees of flexibility and relative importance are revealed in the different items during the twelve-year period. Thus, in each of the latter six years of the period the debit balances on merchandise trade were of much smaller proportions than those in the earlier years. Wide fluctuations in the merchandise balance were frequent throughout the period. The export of non-monetary gold to the United States has been a growing source of credits in the years following 1933, the United States being the principal market for the increasing Canadian production. In 1933 exports to the United Kingdom provided the majority of credits from gold. Credits from the tourist trade and debits from interest and dividend payments between Canada and the United States have been of comparable proportions, especially in the earlier years of the period, and therefore largely offsetting each other statistically. Because of the greater rigidity in the interest payments, debits on interest and dividends account greatly exceeded credits from the tourist trade in 1933 and 1934. Although the tourist trade expanded in 1935, increasing dividend payments resulted in a continued excess of debits on account of interest and dividends over credits from the tourist trade. This contrasts with an excess of credits from the tourist trade over debits from interest and dividends in 1927, 1928 and 1929. The balance of debits on all current account transactions with the United States was particularly large between 1926 and 1930, and fluctuations during those years were closely related to changes in the merchandise trade. Reduced debit balances on current account since 1931 coincide with lower debit balances on merchandise account, but fluctuations in the current account balance in the years after 1931 were influenced chiefly by the gold, tourist trade and interest and dividend items.

In every year from 1926 to 1937 there have been substantial credit balances from current account transactions with countries other than the United States and the United Kingdom. These have varied from \$213.2 million in 1928 to \$57.2 million in 1931, and in 1937 the credit balance amounted to \$96.7 million. The merchandise trade has been the principal source of credits throughout the period, net credits ranging from \$206.9 million in 1928 to \$40.6 million in 1935. In every year the income from Canadian investments overseas has exceeded interest and dividends paid to other countries by balances growing from \$13.3 million in 1926 to \$42.0 million in 1937. Payments for miscellaneous services, and other items, chief among which are immigrants' remittances, have given rise to fairly constant debits throughout, while gold, the tourist trade and freight transactions have been relatively unimportant.

GEOGRAPHICAL DISTRIBUTION OF CAPITAL ACCOUNT TRANSACTIONS, 1927-1937

As is to be expected, total net capital transactions between Canada and all countries, as revealed in the capital account, bear a close comparison with the balance on current account between Canada and all countries, for in theory the two balances are offsetting. In every year except 1932 the balance in the current account is offset more or less completely by a balance with an opposite sign in the capital account, demonstrating that, with the exception of 1932 when the balancing items were unusually small, net capital transactions in the capital account and the net capital movement as indicated by the current account have confirmed each other in direction. The residual item, reflecting the difference between the balancing items of the current and capital account, is a measure of the accuracy and completeness of the statement for each year.

As has already been pointed out, there is no necessary theoretical or practical relationship between the balancing items in the current and capital account relating to any two countries. The balancing items of the current and capital account shown in Table 39, clearly disclose the lack of a close relationship between current account and capital account transactions in reference to Canada and either the United Kingdom, the United States or other countries. In many years the net current and capital account transactions between Canada and any one of these areas have a common sign.

The net movement of capital between Canada and all countries during the period has been outwards in direction with the exception of the three years from 1929 to 1931. The movement of capital between Canada and the United Kingdom has been outwards on balance throughout, with the exception of 1933 and 1934, when there were substantial inflows from the United Kingdom. Capital movements between Canada and the United States show a pronounced change after 1932. Large outward movements of capital to the United States each year from 1933 onwards contrast with the inflows of capital from that country in earlier years. Capital movements between Canada and countries other than the United States and the United Kingdom were generally outwards in the earlier years and inwards since 1935.

Movements of capital between Canada and the United Kingdom, with some important exceptions, have been relatively moderate as far as the net balances are concerned, during the period under review. A steady but moderate outflow of capital on balance from Canada for the retirement of Canadian securities was interrupted in 1933 and 1934 by the credits from the flotation of Dominion Government issues in the London market in those years. Trading in outstanding securities between the two countries also resulted in outflows of capital up to 1932, mainly arising from the repurchases of Canadian securities by Canada. From 1933 on, however, inflows of capital were prevalent from the trade in outstanding securities with the United Kingdom,

notably in 1933 and 1934. Changes in the sterling assets of Canadian banks have fluctuated irregularly during the period and have only had very appreciable effects upon the capital account in several years. Likewise, other movements of capital have usually been relatively unimportant in their net effects, although in 1935 and 1936 outward movements to the United Kingdom from the operations of insurance companies and direct investments contributed perceptibly to the total outward movement of capital predominant in those years. In 1933 and 1934, as already noted, there were pronounced inward movements of capital from the United Kingdom. Combinations of circumstances helped bring about this change in direction; the flotation of new Dominion issues in London, unusually heavy net sales in the trade in outstanding securities, and substantial inflows of funds from the operations of insurance companies, all contributed to a concentration of inflows of capital in those two years, in contrast with outflows of capital occurring on balance in other years during the period.

Two sharply defined periods are evident on examination of the capital account between Canada and the United States. Up to 1932 inflows on balance characterized the capital movement between the two countries, in contrast to the large net outflow that developed in 1933 and continued thereafter. But in the earlier period, although there were inflows of capital on balance each year, there were very heavy outflows of capital through the trade in outstanding securities. Canadian purchases of United States stocks and repurchases of Canadian securities owned in the United States were especially heavy in 1927-1929; but in each year large inflows of capital from the flotation of new issues of Canadian bonds in New York, from the repatriation of Canadian banking assets in the United States, and for the establishment and development of United States direct investments in Canada more than counterbalanced the outflow of capital through stock exchange transactions in those years. In 1930 the volume of capital raised through the sale of new issues in New York was extraordinarily large, and, as the outflow of capital arising from transactions in outstanding securities had dwindled, 1930 marks the year of heaviest capital inflow during the period under review. Contributing to the outflows of capital that have featured capital movements between Canada and the United States since 1933 have been two factors of special importance. The decline in new issues sold in United States capital markets, and the growth in the volume of retirements of Canadian bond issues owned abroad, have had the effect of producing large outflows of capital on balance in each year since 1933, in contrast to the net inflows of capital prior to 1933 arising from the sale of new issues. The other factor of importance has been the change in direction in the net capital movements connected with United States direct investments in Canada. Up to 1931, in the period in which the expansion of these investments was most pronounced, there were predominant inward movements of capital; but since 1932 the movement of capital has been outwards on balance and at times in very substantial volume. Capital movements connected with Canadian direct investments in the United States have also been mostly outwards in direction. The outward movements of capital of recent years were also augmented by increases in the assets of the Canadian banks in the United States in 1934, 1935 and 1936 and net purchases by Canada of outstanding securities from the United States in 1934, 1936 and 1937. The outflow of capital through this trade was most pronounced in 1934.

Movements of capital between Canada and countries other than the United Kingdom and the United States have been generally light and irregular in direction in the years shown in the table, with the exception of 1927 and 1928 when the outflow of capital arising from the purchase of new issues of foreign securities by Canadians was very heavy. There has been a small outflow of capital in most years for the retirement of Canadian securities originally sold

abroad. It is also probable that some of the retired securities shown in other tables as held in the United Kingdom and the United States were held in other countries. Except in 1927 and 1928 other security transactions have not been large, although in 1937 the balance of sales of Canadian securities to other countries expanded appreciably. Net assets of Canadian banks have generally declined during the period, and in some years the declines have been considerable. Other capital movements have been moderate, with inflows more characteristic of earlier years and outflows of later years.

NET TOTAL CURRENT AND CAPITAL ACCOUNT TRANSACTIONS 1927-37

When the balances on current and capital accounts are considered together for each of the three countries or areas discussed above, the general character of the commercial and financial relations between Canada and each becomes evident. The balance on current account with a single country and the balance on capital account with the same country, when added together, reveal in broad perspective the general direction of the total commercial and financial transactions with the country, indicating whether, on balance, a supply of foreign exchange accrues to Canada or whether foreign exchange obtained from commercial or financial transactions with additional countries is employed in settlements. A brief description of total net transactions on current and capital accounts with each country or area are shown in Table 39.

In six of the eleven years for which data are available, the balancing items of the current and capital accounts between Canada and the United Kingdom were of opposite sign. In other words, they tended to offset one another and the net total transactions on current and capital accounts are accordingly less than the net transactions on either current or capital account. Thus in 1927 and 1928, and from 1935 to 1937, some of the large net credits shown on current account were offset by debits on capital account with the United Kingdom, while in 1932 debits on capital account exceeded credits on current account. In contrast, in three of the other five years (1929 to 1931), the customary debits on capital account were augmented by substantial debits on current account as well. In 1933 and 1934, on the other hand, large net credits were not only again realized on current account but to these must be added the credits on capital account that were derived from the extraordinarily heavy inflow of capital in those years.

The balancing items of the current and capital accounts between Canada and the United States also showed opposite signs in six of the eleven years, if the insignificant balance of credits in 1935 is disregarded. But, in this case, the six years are consecutive, large net debits on current account from 1927 to 1932 being partly offset by credits in the capital account reflecting inflows of capital on balance from the United States that were particularly heavy in 1929 and 1930. In 1933 and subsequent years, however, there developed particularly large net debits on capital account with the appearance of the net outflows of capital to the United States characteristic of each year since 1933. These net debits on capital account, added to the net debits on current account, produced unusually large totals of net payments to the United States from 1933 onwards. The resulting increase in total commercial and financial payments to that country was chiefly the consequence of increased outflows of capital, as debits on current account with the United States in the latter years of the period have been relatively light.

In transactions with other countries the large balances of credits on current account have been the predominant group. In some of the earlier years, most notably 1927 and 1928, the credits on current account were partly offset by debits from the export of capital, but in five of the other years credits on current account have been increased by small credits on capital account as well. However, no marked trend in the capital movements is evident.

With regard to the broad pattern of commercial and financial relations with each of the three areas, it is noteworthy how divergent these are in most years. In only three years have the net balances of all payments between Canada and the United Kingdom and Canada and the United States been in a common direction, viz., 1929, 1931 and 1932. In all the other years (except 1930, when credits on capital account with the United States were particularly large) there were substantial debits from total transactions with the United States considerably in excess of balances of credits from total commercial and financial dealings with the United Kingdom. Net credits have been consistently derived from total transactions with other countries.

As the transactions under discussion are reflected in foreign exchange, the analysis of balance of payments figures by countries also throws some light upon the general background of foreign exchange dealings affecting the Canadian dollar. Although the analysis by countries does not exactly reflect the currencies in which transactions are executed, it does generally reflect the balance of payments between residents of Canada and residents of each of the countries or areas shown. The close relationship of the Canadian dollar with sterling and the United States dollar is therefore evident in the general character of the balances of payments between Canada and the countries shown.

Some attention should be drawn to the theoretical relationship between the residual item and the total net current and capital transactions between Canada and each of the three areas. As has already been explained, the residual item represents the difference between the balancing items of the current and capital accounts and reflects, therefore, errors or omissions in the statement. In a complete and perfect statement the residual would be zero. In Table 39 analyzing the current and capital accounts by countries, the residual item is the amount by which either the balancing items of the current and capital account with all countries, or the total net current and capital transactions between Canada and the United Kingdom, the United States and other countries, fail to offset one another. In other words, the residual item is the difference between the total debits and the total credits that have been estimated in the current and capital accounts. In so far as debits and credits fail to balance, this is due to the omission of transactions in either the current or the capital account or to inaccurate estimates in either account.

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

Statistical Tables

TABLE 1.—ESTIMATED BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA, CLASSIFIED ACCORDING TO MAIN TYPES,
DECEMBER 31, 1926-1937

A. Total British and Foreign Investments in Canada

(In millions of dollars)

Description	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
Government Securities—												
Dominion.....	632.0	628.1	618.6	571.6	675.0	627.4	680.3	741.9	749.4	807.3	806.3	863.7
Provincial.....	419.7	460.7	471.9	520.8	590.2	604.2	606.6	570.0	554.9	530.8	518.7	495.3
Municipal.....	372.7	393.3	393.3	400.3	429.5	437.2	406.6	392.4	389.4	379.6	363.7	339.0
Public Utilities—	1,423.8	1,482.1	1,483.8	1,492.7	1,694.7	1,668.8	1,693.5	1,704.3	1,693.7	1,717.7	1,688.7	1,698.0
Railways.....	1,573.4	1,602.5	1,636.0	1,771.0	1,835.1	1,896.3	1,874.2	1,859.2	1,825.6	1,683.0	1,633.5	1,632.9
Other—Traction, Light, Heat, Power, Telephone, etc.....	466.3	515.8	562.1	620.0	660.8	698.5	736.1	751.9	766.7	780.0	762.4	738.0
Manufacturing—												
Wood and paper products.....	473.6	513.0	569.8	567.0	596.0	525.5	484.2	458.4	453.6	462.0	465.0	453.0
Metal industries.....	396.3	421.8	458.6	502.6	501.7	456.8	413.3	401.5	413.8	423.0	428.0	411.0
All other manufacturing industries	451.4	482.9	516.0	546.1	521.3	495.8	460.2	459.1	475.8	494.0	500.0	487.0
Mining.....	288.0	299.0	355.0	363.0	376.0	335.0	333.0	335.0	350.0	326.0	340.0	357.0
Merchandising and Service.....	235.4	241.8	250.4	255.8	271.5	237.5	225.8	219.4	222.0	226.8	225.0	222.0
Insurance.....	93.8	106.0	102.0	104.6	142.5	151.7	160.5	161.7	198.9	220.0	210.0	194.4
Finance and Mortgage Corpora- tions.....	228.7	254.4	287.2	322.9	321.3	293.9	286.4	283.4	285.0	290.0	295.0	296.7
Miscellaneous (agricultural lands, summer homes, prospecting, as- sets administered for persons or corporations residing outside of Canada, etc.).....	260.0	265.0	278.0	290.0	295.0	288.0	287.0	280.0	280.0	275.0	275.0	275.0
GRAND TOTAL (Great Britain, United States and Other Coun- tries).....	5,890.7	6,184.3	6,498.9	6,835.7	7,195.9	7,067.8	6,954.2	6,913.9	6,965.1	6,897.5	6,822.6	6,765.0

B. British Investments in Canada

(In millions of dollars)

Description	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
Government Securities—												
Dominion.....	250.1	246.2	242.0	238.5	234.5	229.2	222.3	291.4	323.3	318.8	318.8	317.1
Provincial.....	72.6	70.6	74.5	71.2	69.3	67.4	81.1	74.2	71.9	68.4	67.8	61.3
Municipal.....	187.0	185.2	185.3	185.8	182.1	172.7	150.8	143.9	147.5	139.4	137.6	135.8
Public Utilities—												
Railways.....	509.7	502.0	501.8	495.5	485.9	469.3	454.2	509.5	542.7	526.3	524.2	514.2
Other—Traction, Light, Heat, Power, Telephone, etc.....	1,111.5	1,096.6	1,074.7	1,097.6	1,096.9	1,100.1	1,092.9	1,088.5	1,078.2	1,073.9	1,062.1	1,065.6
Manufacturing—												
Wood and paper products.....	111.9	123.8	134.9	148.8	158.6	167.6	176.7	180.5	184.0	187.2	184.8	176.0
Metal industries.....	96.0	104.0	115.5	114.9	120.8	106.5	98.1	92.9	92.5	93.7	94.3	97.0
All other manufacturing indus- tries.....	72.4	77.1	83.8	91.9	91.7	83.5	75.6	73.4	75.6	77.3	78.2	72.0
Mining.....	135.0	197.9	211.5	223.8	213.7	203.2	183.6	188.2	195.0	202.5	204.9	201.0
Merchandising and Service.....	95.0	99.0	117.0	120.0	98.0	93.0	87.0	87.0	91.0	85.0	89.0	90.0
Insurance.....	77.0	79.1	81.9	83.7	82.3	77.7	73.9	71.8	72.6	74.2	73.6	73.0
Finance and Mortgage Corpora- tions.....	54.5	54.9	54.1	52.2	53.4	57.4	61.4	66.8	81.9	90.6	86.5	85.2
Miscellaneous (agricultural lands, summer homes, prospecting, as- sets administered for persons or corporations residing outside of Canada, etc.).....	139.8	143.9	157.4	169.8	183.7	163.8	158.3	155.8	156.0	158.6	161.3	150.8
TOTAL.....	145.0	150.0	161.0	166.0	171.0	165.0	165.0	160.0	160.0	160.0	160.0	160.0
	2,597.8	2,628.3	2,693.6	2,764.2	2,766.0	2,687.1	2,631.7	2,674.4	2,729.5	2,729.3	2,718.9	2,684.8

**TABLE 1.—ESTIMATED BRITISH AND FOREIGN CAPITAL INVESTED IN CANADA, CLASSIFIED ACCORDING TO MAIN TYPES,
DECEMBER 31, 1926-1937—Concluded**

C. United States Investments in Canada

(In millions of dollars)

Description	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
Government Securities—												
Dominion.....	381.9	381.9	376.6	333.1	440.5	398.2	458.0	450.5	426.1	488.5	487.5	546.6
Provincial.....	342.0	385.3	393.0	445.5	517.0	533.2	522.2	492.5	479.7	459.5	447.7	430.8
Municipal.....	185.1	208.1	208.0	214.5	247.4	264.5	255.8	248.5	241.9	240.2	226.1	203.2
Public Utilities—	909.0	975.3	977.6	993.1	1,204.9	1,195.9	1,236.0	1,191.5	1,147.7	1,188.2	1,161.3	1,180.6
Railways.....	438.8	485.2	539.4	649.0	713.6	771.1	757.0	747.2	726.4	589.2	546.0	538.5
Other—Traction, Light, Heat, Power, Telephone, etc.....	349.7	386.8	421.6	465.0	495.6	523.9	552.0	563.9	575.0	585.1	570.0	553.0
Manufacturing—												
Wood and paper products.....	376.5	407.8	452.9	450.7	473.8	417.7	384.9	364.4	360.0	367.2	369.6	354.0
Metal industries.....	319.6	340.2	369.9	405.3	404.6	368.4	333.3	323.8	333.8	341.2	345.2	334.0
All other manufacturing indus- tries.....	259.0	277.1	296.0	313.3	299.1	284.5	264.1	263.4	273.0	283.4	286.9	277.0
Mining.....	190.0	197.0	234.0	239.0	270.0	254.0	239.0	241.0	252.0	234.0	244.0	257.0
Merchandising and Service.....	154.0	158.2	163.8	167.3	164.5	155.4	147.7	143.5	145.2	148.4	147.2	145.0
Insurance.....	38.3	49.7	46.5	50.9	82.6	92.9	97.5	93.3	115.0	127.2	121.4	104.9
Finance and Mortgage Corpora- tions.....	41.3	61.5	75.9	98.9	95.7	97.7	94.8	93.2	94.0	95.7	97.4	103.4
Miscellaneous (agricultural lands, summer homes, prospecting, as- sets administered for persons or corporations residing outside of Canada, etc.).....	85.0	85.0	87.0	94.0	94.0	93.0	92.0	90.0	90.0	85.0	85.0	85.0
TOTAL.....	3,161.2	3,423.8	3,664.6	3,926.5	4,298.4	4,254.5	4,198.3	4,115.2	4,112.1	4,044.6	3,974.0	3,932.4

D. Investments of Other Countries in Canada

(In millions of dollars)

Description	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
Government Securities—												
Dominion.....	5.1	4.8	4.4	4.1	3.9	3.6	3.3	3.3	3.3	3.2	3.2	3.2
Provincial.....												
Municipal.....												
Public Utilities—	23.1	20.7	21.9	24.4	24.6	25.1	24.3	23.5	21.0	19.9	25.4	28.8
Railways.....												
Other—Traction, Light, Heat, Power, Telephone, etc.....	4.7	5.2	5.6	6.2	6.6	7.0	7.4	7.5	7.7	7.7	7.6	9.0
Manufacturing—												
Wood and paper products.....	1.1	1.2	1.4	1.4	1.4	1.3	1.2	1.1	1.1	1.1	1.1	2.0
Metal industries.....	4.3	4.5	4.9	5.4	5.4	4.9	4.4	4.3	4.4	4.5	4.6	5.0
All other manufacturing indus- tries.....	7.4	7.9	8.5	9.0	8.5	8.1	7.5	7.5	7.8	8.1	8.2	9.0
Mining.....	3.0	3.0	4.0	4.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	10.0
Merchandising and Service.....	4.4	4.5	4.7	4.8	4.7	4.4	4.2	4.1	4.2	4.2	4.2	4.0
Insurance.....	1.0	1.4	1.4	1.5	1.5	1.4	1.6	1.6	2.0	2.2	2.1	4.3
Finance and Mortgage Corpora- tions.....	47.6	49.0	53.9	54.2	36.9	32.4	33.3	34.4	35.0	35.7	36.3	42.5
Miscellaneous (agricultural lands, summer homes, prospecting, as- sets administered for persons or corporations residing outside of Canada, etc.).....	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
TOTAL.....	131.7	132.2	140.7	145.0	131.5	126.2	124.2	124.3	123.5	123.6	129.7	147.8

TABLE 2.—BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled* by companies incorporated outside of Canada, or are controlled* by individuals domiciled outside of Canada.†

A. Total British and Foreign Control—End of 1936 and 1937

(Values in thousands of dollars)

Type of Business	Year	Number of Companies	Total Investment	Distribution of Ownership			
				Canada	United States	Great Britain	Other Countries
Total.....	1936	2,455	2,812,030.4	455,686.4	1,861,361.3	445,603.8	49,378.9
	1937	2,440	2,807,984.7	436,927.1	1,886,137.0	430,427.7	54,492.9
Manufacturing.....	1936	1,160	1,244,428.2	140,527.2	929,326.9	169,074.0	5,500.1
	1937	1,130	1,264,250.1	134,826.9	958,421.0	163,980.9	7,021.3
Mining.....	1936	131	366,369.1	80,041.2	222,150.5	58,485.7	5,691.7
	1937	135	363,444.7	82,083.2	218,351.8	56,486.6	6,523.1
Utility.....	1936	120	597,531.0	187,003.5	383,766.3	22,802.6	3,958.6
	1937	111	595,652.9	171,412.6	395,078.0	25,634.1	3,528.2
Merchandising.....	1936	514	177,657.4	13,595.3	120,049.0	41,336.4	2,676.7
	1937	515	186,527.6	11,617.0	130,234.3	41,934.9	2,741.4
Financial.....	1936	401	363,329.5	18,130.8	161,323.1	152,772.6	31,103.0
	1937	417	339,441.4	21,716.8	143,833.5	140,301.2	33,589.9
Miscellaneous.....	1936	129	62,715.2	16,388.4	44,745.5	1,132.5	448.8
	1937	132	58,668.0	15,270.6	40,218.4	2,090.0	1,089.0

B. British Control—End of 1936 and 1937

(Values in thousands of dollars)

Total.....	1936	383	442,480.9	39,091.8	16,839.3	384,731.1	1,818.7
	1937	402	423,314.7	36,783.7	17,069.1	367,163.0	2,298.9
Manufacturing.....	1936	111	194,776.6	28,123.9	12,125.7	152,947.1	1,579.9
	1937	121	185,528.6	25,028.9	12,832.7	145,794.5	1,872.5
Mining.....	1936	17	31,470.5	4,388.2	1,618.4	25,286.1	177.8
	1937	18	29,373.8	5,241.4	1,124.1	22,831.8	176.5
Utility.....	1936	5	13,026.1	.....	.....	13,026.1	.....
	1937	5	15,481.5	.....	.....	15,298.7	182.8
Merchandising.....	1936	111	44,160.1	2,821.7	72.4	41,227.0	39.0
	1937	117	44,608.3	2,662.5	79.2	41,822.6	44.0
Financial.....	1936	130	157,930.8	3,744.4	3,016.3	151,148.1	22.0
	1937	132	146,259.8	3,849.4	3,026.0	139,361.3	23.1
Miscellaneous.....	1936	9	1,116.8	13.6	6.5	1,096.7	.....
	1937	9	2,062.7	1.5	7.1	2,054.1	.....

* Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as *prima facie* evidence of control.

† Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

TABLE 2.—BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled* by companies incorporated outside of Canada, or are controlled* by individuals domiciled outside of Canada.†

C. United States Control—End of 1936 and 1937

(Values in thousands of dollars)

Type of Business	Year	Number of Companies	Total Investment	Distribution of Ownership			
				Canada	United States	Great Britain	Other Countries
Total.....	1936	1,997	2,317,940.9	405,414.1	1,844,407.3	60,835.9	7,283.6
	1937	1,952	2,330,820.6	390,007.8	1,868,859.7	63,236.9	8,716.2
Manufacturing.....	1936	1,035	1,046,596.1	112,177.5	917,187.2	16,121.4	1,110.0
	1937	995	1,074,407.3	109,574.6	945,574.5	18,180.9	1,077.3
Mining.....	1936	108	333,909.6	75,606.5	220,472.3	33,184.6	4,646.2
	1937	110	332,894.4	76,605.4	217,161.2	33,639.8	5,488.0
Utility.....	1936	111	578,972.7	184,263.0	383,766.3	9,776.5	1,166.9
	1937	103	577,094.2	169,893.1	395,078.0	10,335.4	1,787.7
Merchandising.....	1936	376	130,642.9	10,571.5	119,935.7	100.2	35.5
	1937	374	139,024.0	8,807.5	130,104.2	112.3	.....
Financial.....	1936	250	166,355.1	6,422.1	158,306.8	1,617.4	8.8
	1937	254	151,740.0	9,990.9	140,807.5	932.6	9.0
Miscellaneous.....	1936	117	61,464.5	16,373.5	44,739.0	35.8	316.2
	1937	116	55,660.7	15,136.3	40,134.3	35.9	354.2

D. Control in Countries other than Canada, the United States or Great Britain—
End of 1936 and 1937

(Values in thousands of dollars)

Total.....	1936	75	51,608.6	11,180.5	114.7	36.8	40,276.6
	1937	86	53,849.4	10,135.6	208.2	27.8	43,477.8
Manufacturing.....	1936	14	3,055.5	225.8	14.0	5.5	2,810.2
	1937	14	4,314.2	223.4	13.8	5.5	4,071.5
Mining.....	1936	6	989.0	46.5	59.8	15.0	867.7
	1937	7	1,176.5	236.4	66.5	15.0	858.6
Utility.....	1936	4	5,532.2	2,740.5	.....	.....	2,791.7
	1937	3	3,077.2	1,519.5	.....	.....	1,557.7
Merchandising.....	1936	27	2,854.4	202.1	40.9	9.2	2,602.2
	1937	24	2,895.3	147.0	50.9	.....	2,697.4
Financial.....	1936	21	39,043.6	7,964.3	.....	7.1	31,072.2
	1937	31	41,441.6	7,876.5	.....	7.3	33,557.8
Miscellaneous.....	1936	3	133.9	1.3	.....	.....	132.6
	1937	7	944.6	132.8	77.0	.....	734.8

* Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as *prima facie* evidence of control.

† Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

TABLE 3.—ESTIMATED CANADIAN INVESTMENTS ABROAD, DECEMBER 31, 1926-1937

(In millions of dollars)

Country and Description	1926	1927	1928	1929	1930	1931
ALL COUNTRIES—						
Canadian Government Credits.....	36.1	32.4	31.1	30.9	30.7	30.5
Estimated Net Assets of Canadian Banks Outside of Canada.....	370.3	354.2	267.6	179.8	180.2	152.5
Foreign Securities Held in Canada by Canadian Insurance Companies.....	91.4	124.2	156.5	184.6	156.7	154.5
Direct Investments.....	397.0	401.5	412.0	423.5	443.0	445.0
Miscellaneous Investments.....	458.0	602.0	725.0	810.0	842.0	856.0
Grand Total.....	1,352.8	1,514.3	1,592.2	1,628.8	1,652.6	1,638.5
UNITED KINGDOM—						
Canadian Government Credits.....	—	—	—	—	—	—
Estimated Net Assets of Canadian Banks Outside of Canada.....	42.0	42.7	34.1	30.8	40.3	23.2
Foreign Securities Held in Canada by Canadian Insurance Companies.....	0.6	1.0	1.2	1.3	3.4	3.4
Direct Investments.....	7.0	7.5	8.0	8.5	14.0	14.0
Miscellaneous Investments.....	10.0	10.0	10.0	10.0	10.0	10.0
Total.....	59.6	61.2	53.3	50.6	67.7	50.6
UNITED STATES—						
Canadian Government Credits.....	—	—	—	—	—	—
Estimated Net Assets of Canadian Banks Outside of Canada.....	262.4	246.2	183.3	91.8	90.2	77.3
Foreign Securities Held in Canada by Canadian Insurance Companies.....	70.6	95.4	120.4	142.0	123.9	123.5
Direct Investments.....	250.0	251.0	257.0	259.0	260.0	260.0
Miscellaneous Investments.....	195.0	278.0	357.0	437.0	459.0	468.0
Total.....	778.0	870.6	917.7	929.8	933.1	928.8
OTHER COUNTRIES—						
Canadian Government Credits.....	36.1	32.4	31.1	30.9	30.7	30.5
Estimated Net Assets of Canadian Banks Outside of Canada.....	65.9	65.3	50.2	57.2	49.7	52.0
Foreign Securities Held in Canada by Canadian Insurance Companies.....	20.2	27.8	34.9	41.3	29.4	27.6
Direct Investments.....	140.0	143.0	147.0	156.0	169.0	171.0
Miscellaneous Investments.....	253.0	314.0	358.0	363.0	373.0	378.0
Total.....	515.2	582.5	621.2	648.4	651.8	659.1

TABLE 3.—ESTIMATED CANADIAN INVESTMENTS ABROAD, DECEMBER 31, 1926-1937
—(Concluded)

(In millions of dollars)

Country and Description	1932	1933	1934	1935	1936	1937
ALL COUNTRIES—						
Canadian Government Credits.....	30.5	30.5	30.5	30.5	30.5	30.9
Estimated Net Assets of Canadian Banks Outside of Canada.....	114.8	90.9	109.7	109.6	107.0	120.0
Foreign Securities Held in Canada by Canadian Insurance Companies.....	144.2	136.8	142.2	162.8	183.0	199.3
Direct Investments.....	446.0	447.0	449.0	453.0	497.8	510.7
Miscellaneous Investments.....	853.0	865.0	874.0	884.0	894.0	897.0
Grand Total.....	1,588.5	1,570.2	1,605.4	1,639.9	1,712.3	1,757.9
UNITED KINGDOM—						
Canadian Government Credits.....	—	—	—	—	—	—
Estimated Net Assets of Canadian Banks Outside of Canada.....	17.8	22.1	20.6	15.9	12.6	10.1
Foreign Securities Held in Canada by Canadian Insurance Companies.....	2.9	2.9	2.8	10.9	12.9	9.6
Direct Investments.....	14.0	14.0	14.0	14.0	14.3	13.2
Miscellaneous Investments.....	10.0	10.0	10.0	10.0	10.0	8.0
Total.....	44.7	49.0	47.4	50.8	49.8	40.9
UNITED STATES—						
Canadian Government Credits.....	—	—	—	—	—	—
Estimated Net Assets of Canadian Banks Outside of Canada.....	69.4	38.5	62.6	82.3	86.0	101.5
Foreign Securities Held in Canada by Canadian Insurance Companies.....	116.7	112.2	119.5	126.1	142.6	161.2
Direct Investments.....	260.0	260.0	262.0	266.0	319.5	327.9
Miscellaneous Investments.....	460.0	465.0	477.0	489.0	501.0	507.0
Total.....	906.1	875.7	921.1	963.4	1,049.1	1,097.6
OTHER COUNTRIES—						
Canadian Government Credits.....	30.5	30.5	30.5	30.5	30.5	30.9
Estimated Net Assets of Canadian Banks Outside of Canada.....	27.6	30.3	26.5	11.4	8.4	8.4
Foreign Securities Held in Canada by Canadian Insurance Companies.....	24.6	21.7	19.9	25.8	27.5	28.5
Direct Investments.....	172.0	173.0	173.0	173.0	164.0	169.6
Miscellaneous Investments.....	383.0	390.0	387.0	385.0	383.0	382.0
Total.....	637.7	645.5	636.9	625.7	613.4	619.4

TABLE 4.—CANADIAN DIRECT INVESTMENTS ABROAD IN BRANCHES, SUBSIDIARIES, ETC., BY TYPES OF BUSINESS, END OF 1937

(Values in thousands of dollars)

Type of Business Abroad	In All Countries			In United States		
	Number of Canadian Parent Companies*	Number of Sub-sidiaries etc., Abroad	Value of Invest-ment	Number of Canadian Parent Companies*	Number of Sub-sidiaries etc., Abroad	Value of Invest-ment
Total Investment Abroad.....	121	337	510,728·9	94	218	327,865·7
Merchandising.....	25	37	7,821·0	13	15	1,617·5
Manufacturing.....	60	158	120,883·5	51	109	87,771·5
Mining, Petroleum and Products.....	32	47	125,436·5	28	34	26,196·2
Utilities, Transportation and Miscellaneous.....	12	95	256,587·9	7	60	212,280·5

Type of Business Abroad	In United Kingdom			In Other Countries		
	Number of Canadian Parent Companies*	Number of Sub-sidiaries etc., Abroad	Value of Invest-ment	Number of Canadian Parent Companies*	Number of Sub-sidiaries etc., Abroad	Value of Invest-ment
Total Investment Abroad.....	23	34	13,186·0	30	85	169,677·2
Merchandising.....	9	9	1,339·4	7	13	4,864·1
Manufacturing.....	11	21	6,779·1	10	28	26,332·9
Mining, Petroleum and Products.....				8	13	99,240·3
Utilities, Transportation and Miscellaneous.....	3	4	5,067·5	8	31	39,239·9

* The numbers of Canadian parent companies do not add exactly as several companies operate in more than one area, and in more than one type of business.

TABLE 5.—CANADIAN DIRECT INVESTMENTS ABROAD IN BRANCHES, SUBSIDIARIES, ETC., BY TYPES OF ORGANIZATION AND KINDS OF SECURITIES, END OF 1937

(Values in thousands of dollars)

Type of Organization and Country	Number of Canadian Parent Companies*	Number of Subsidiaries etc., Abroad	Total Investment	Common Stocks	Preferred Stocks	Bonds and Debentures	Other (Net Assets, Loans, Advances, etc.)
ALL COUNTRIES—							
Incorporated Subsidiaries—							
Wholly-owned.....	64	190	383,286.2	249,470.4	32,271.2	72,164.7	29,379.9
Other Controlling Equities.....	39	99	106,902.9	46,653.6	13,684.8	38,306.7	8,257.8
Unincorporated Branches, Agencies, etc.....	18	27	5,961.7	.....	.....	.....	5,961.7
Miscellaneous (Unincorporated Mining Claims, Oil Leases, etc.).....	21	21	14,578.1	.....	.....	.....	14,578.1
	121	337	510,728.9	296,124.0	45,956.0	110,471.4	58,177.5
UNITED STATES—							
Incorporated Subsidiaries—							
Wholly-owned.....	52	126	225,655.3	106,887.4	32,271.2	68,414.7	18,082.0
Other Controlling Equities.....	27	65	92,815.8	38,066.5	13,684.8	37,306.7	3,757.8
Unincorporated Branches, Agencies, etc.....	9	10	171.0	.....	.....	.....	171.0
Miscellaneous (Unincorporated Mining Claims, Oil Leases, etc.).....	17	17	9,223.6	.....	.....	.....	9,223.6
	94	218	327,865.7	144,953.9	45,956.0	105,721.4	31,234.4
UNITED KINGDOM—							
Incorporated Subsidiaries—							
Wholly-owned.....	10	18	10,982.4	1,692.6	.....	.....	9,289.8
Other Controlling Equities.....	5	8	1,126.4	1,126.4	.....	.....	.....
Unincorporated Branches, Agencies, etc.....	8	8	1,077.2	.....	.....	.....	1,077.2
Miscellaneous (Unincorporated Mining Claims, Oil Leases, etc.).....	.....	.....	.....	.....	.....	.....	.....
	23	34	13,186.0	2,819.0	.....	.....	10,367.0
OTHER COUNTRIES—							
Incorporated Subsidiaries—							
Wholly-owned.....	16	46	146,648.5	140,890.4	.....	3,750.0	2,008.1
Other Controlling Equities.....	10	26	12,960.7	7,460.7	.....	1,000.0	4,500.0
Unincorporated Branches, Agencies, etc.....	4	9	4,713.5	.....	.....	.....	4,713.5
Miscellaneous (Unincorporated Mining Claims, Oil Leases, etc.).....	4	4	5,354.5	.....	.....	.....	5,354.5
	30	85	169,677.2	148,351.1	.....	4,750.0	12,076.1

*The numbers of Canadian parent companies do not add exactly as several companies operate in more than one area, and in more than one type of organization.

TABLE 6.—TABULATION OF SPECIFIED ITEMS AS PERCENTAGE OF TOTAL CURRENT CANADIAN INTERNATIONAL PAYMENT TRANSACTIONS, 1926-1937

DEBITS

Description of Item	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	12-Year Average (1926-1937)
Corrected Total of Commodity Trade.....	56.82	62.75	62.58	66.28	59.98	52.84	45.94	45.69	48.72	44.60	41.46	47.83	54.52
Gold Movement.....	2.61	1.70	1.34	0.05	2.26	.....	.....	.....	.....	.....	0.07	.....	0.81
Tourist Expenditures.....	5.66	6.30	5.49	6.20	6.04	6.61	6.30	6.03	6.14	7.85	7.31	7.47	6.42
Interest and Dividends.....	13.77	14.90	14.00	16.40	20.95	28.55	33.04	31.19	25.77	22.23	20.54	19.52	20.17
Balancing Item.....	10.36	3.24	6.45	.....	.....	.....	.....	2.56	7.22	14.53	20.44	13.10	6.69
All Other Items.....	10.78	11.11	10.14	11.07	10.77	12.00	14.72	14.53	12.15	10.79	10.18	12.08	11.39
Total.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total Value, in Millions of Dollars, of Imports, Visible and Invisible, represented above...	1,743.3	1,726.6	1,956.6	1,962.4	1,661.7	1,156.4	911.5	844.1	1,036.1	1,217.4	1,509.3	1,665.2	1,449.2

CREDITS

Description of Item	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	12-Year Average (1926-1937)
Corrected Total of Commodity Trade.....	72.63	70.80	69.27	59.58	52.63	51.34	54.02	63.06	63.01	60.42	62.80	60.64	62.41
Gold Movement.....	4.42	3.18	5.90	3.85	2.43	7.79	8.02	10.40	10.58	9.59	8.75	8.71	6.43
Tourist Expenditures.....	11.54	13.81	14.07	15.77	16.80	21.69	23.30	13.87	14.09	17.64	16.65	17.70	16.04
Balancing Item.....	.....	.....	.....	9.98	17.24	6.62	2.23	.....	.....	.....	.....	.....	3.33
All Other Items.....	11.41	12.21	10.76	10.82	10.90	12.56	12.43	12.67	12.32	12.35	11.80	12.95	11.79
Total.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total Value, in Millions of Dollars, of Exports, Visible and Invisible, represented above...	1,743.3	1,726.6	1,956.6	1,962.4	1,661.7	1,156.4	911.5	844.1	1,036.1	1,217.4	1,509.3	1,665.2	1,449.2

TABLE 7.—CURRENT ACCOUNT OF GOODS, GOLD AND SERVICES BETWEEN CANADA AND OTHER COUNTRIES, 1926-1937
Total Credits (Exports Visible and Invisible); and Total Debits (Imports Visible and Invisible); and Balancing Items
(In millions of dollars)

Year	Total Credits				Total Debits				Balance of Credits(+); Balance of Debits(-)			
	Total	United Kingdom	United States	Other Countries	Total	United Kingdom	United States	Other Countries	Total	United Kingdom	United States	Other Countries
1926.....	1,743.3	490.9	864.2	388.2	1,562.7	308.0	1,036.2	218.5	+180.6	+182.9	-172.0	+169.7
1927.....	1,726.6	438.7	903.4	384.5	1,670.7	346.5	1,081.1	243.1	+55.9	+92.2	-177.7	+141.4
1928.....	1,956.6	430.9	1,011.4	464.3	1,830.4	355.3	1,224.0	251.1	+126.2	+125.6	-212.6	+213.2
1929.....	1,766.6	316.6	1,023.9	426.1	1,962.4	378.8	1,325.0	238.6	-195.8	-62.2	-301.1	+167.5
1930.....	1,375.2	258.2	810.0	307.0	1,661.7	331.5	1,092.6	237.6	-286.5	-73.3	-282.6	+69.4
1931.....	1,079.9	198.6	662.6	218.7	1,156.4	243.2	751.7	161.5	-76.5	-44.6	-89.1	+57.2
1932.....	891.2	201.7	498.4	191.1	911.5	201.0	585.6	124.9	-20.3	+0.7	-87.2	+66.2
1933.....	844.1	294.7	362.3	187.1	822.5	197.2	509.7	115.6	+21.6	+97.5	-147.4	+71.5
1934.....	1,036.1	319.1	504.9	212.1	961.3	225.9	598.4	137.0	+74.8	+93.2	-93.5	+75.1
1935.....	1,217.4	351.6	644.6	221.2	1,040.5	237.7	644.3	158.5	+176.9	+113.9	+0.3	+62.7
1936.....	1,509.3	490.6	740.1	278.6	1,200.8	261.9	750.8	188.1	+308.7	+228.7	-10.7	+90.5
1937.....	1,665.2	488.1	852.9	324.2	1,447.0	311.3	908.2	227.5	+218.2	+176.8	-55.3	+96.7
Total 12 years, 1926-1937.....	16,811.5	4,329.7	8,878.7	3,603.1	16,227.9	3,398.3	10,507.6	2,322.0	+583.6	+931.4	-1,628.9	+1,281.1
Average per year.....	1,401.0	360.8	739.9	300.3	1,352.3	283.2	875.6	193.5	+43.7	+77.6	-135.7	+106.8

TABLE 8.—MERCHANDISE TRADE BETWEEN CANADA AND OTHER COUNTRIES, 1926-1937
(Exclusive of Gold, and Adjusted for Balance of Payments Purposes)
(In millions of dollars)

Year	Exports				Imports				Net Exports (+); Net Imports (-)			
	Total	United Kingdom	United States	Other Countries	Total	United Kingdom	United States	Other Countries	Total	United Kingdom	United States	Other Countries
1926.....	1,266.1	458.2	463.2	344.7	990.5	165.2	651.9	173.4	+275.6	+293.0	-188.7	+171.3
1927.....	1,222.4	409.4	478.3	334.7	1,083.5	196.4	689.9	197.2	+138.9	+213.0	-211.6	+137.5
1928.....	1,355.4	445.5	497.8	412.1	1,224.4	209.7	809.5	205.2	+131.0	+235.8	-311.7	+206.9
1929.....	1,169.3	289.4	509.9	370.0	1,300.6	215.9	874.9	209.8	-131.3	+73.5	-365.0	+160.2
1930.....	874.6	234.0	385.1	255.5	996.7	171.1	633.9	191.7	-122.1	+62.9	-248.8	+63.8
1931.....	593.7	169.7	247.2	176.8	611.1	106.3	381.1	123.7	-17.4	+63.4	-133.9	+53.1
1932.....	492.4	177.0	162.6	152.8	418.7	74.2	252.3	92.2	+73.7	+102.8	-89.7	+60.6
1933.....	532.3	210.9	170.5	150.9	385.7	91.3	210.0	84.4	+146.6	+119.6	-39.5	+66.5
1934.....	652.9	270.8	221.7	160.4	504.8	115.6	285.1	104.1	+148.1	+155.2	-63.4	+56.3
1935.....	735.6	303.8	271.5	160.3	542.9	116.6	306.6	119.7	+192.7	+187.2	-35.1	+40.6
1936.....	947.9	395.8	342.8	209.3	625.7	124.2	360.6	140.9	+322.2	+271.6	-17.8	+68.4
1937.....	1,069.7	402.9	370.5	236.3	796.4	149.8	477.8	168.8	+213.3	+253.1	-107.3	+67.5
Total 12 years, 1926-1937.....	10,852.3	3,767.4	4,121.1	2,963.8	9,481.0	1,736.3	5,933.6	1,811.1	+1,371.3	+2,031.1	-1,812.5	+1,152.7
Average per year.....	904.4	314.0	343.4	247.0	790.1	144.7	494.5	150.9	+114.3	+169.3	-151.1	+96.1

TABLE 9.—GOLD EXPORTS AND IMPORTS, 1926-1937

A. Total Gold Exports ¹

(Millions of dollars)

Month	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
January.....	12.9	37.2	48.9	38.1	3.4	26.6	6.0	6.2	9.2	11.0	10.7	10.1
February.....	14.0	2.4	8.6	5.6	2.5	1.5	9.2	5.0	15.0	7.0	11.8	10.8
March.....	45.2	5.2	1.1	4.3	3.3	1.2	8.2	8.0	12.4	9.7	8.4	7.5
April.....	0.5	0.5	0.7	2.0	2.3	1.0	6.9	3.5	6.9	9.8	11.8	7.0
May.....	0.5	0.5	0.9	3.1	2.3	1.1	6.0	12.1	9.4	6.3	8.6	14.4
June.....	0.5	0.6	12.8	5.2	2.4	19.0	6.8	9.2	7.2	10.2	11.6	19.9
July.....	0.8	3.5	16.6	2.8	1.6	4.2	4.7	7.1	8.7	10.1	9.2	11.7
August.....	0.6	1.8	0.9	2.6	0.8	2.8	5.0	6.7	10.4	6.9	11.1	12.3
September.....	0.6	0.9	0.9	3.1	0.9	7.8	6.3	9.1	5.8	13.6	10.3	11.6
October.....	0.7	0.7	0.9	3.2	0.9	10.8	0.4	7.8	9.9	8.1	13.4	11.3
November.....	0.5	0.8	0.6	3.0	0.9	5.5	5.1	9.8	7.8	14.7	13.6	12.1
December.....	0.3	0.8	22.6	2.6	19.0	8.6	8.5	3.3	6.9	9.3	11.5	16.4
Yearly Totals.....	77.1	54.9	115.5	75.6	40.3	90.1	73.1	87.8	109.6	116.7	132.0	145.1

¹ Recorded Exports adjusted for changes in earmarked accounts in 1936 and for changes in market value.

B. Gold Imports ²

(Millions of dollars)

Month	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
January.....	1.1			1.1								
February.....												
March.....												
April.....	5.1	3.1										
May.....	19.3	1.1										
June.....												
July.....												
August.....	9.6				14.8						1.0	
September.....			2.7		7.3							
October.....	1.1				1.2							
November.....	3.3	5.1			9.2							
December.....	6.1	20.1	23.6		5.1							
Yearly Totals.....	45.6	29.4	26.3	1.1	37.6						1.0	0.1 ³

² As recorded, less estimated silver coin, and excluding commercial gold. ³ Distributed over various months in small amounts.

C. Net Non-Monetary Gold Exports ⁴

(Millions of dollars)

Month	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
January.....	1.1	3.0	7.8	1.4	3.6	4.3	4.0	6.2	9.3	11.0	10.8	10.1
February.....	2.5	2.8	3.0	5.3	2.6	3.6	6.3	5.1	17.5	8.9	12.1	10.8
March.....	1.0	3.3	3.0	3.5	3.4	3.8	5.9	5.6	12.3	9.6	8.7	16.3
April.....	3.0	2.9	2.6	2.5	3.0	3.9	4.6	5.9	7.0	10.0	11.9	10.3
May.....	2.8	3.1	3.1	3.3	3.0	3.8	5.9	9.4	9.4	6.3	8.6	10.3
June.....	2.6	2.5	2.8	3.1	3.1	3.9	6.5	5.8	8.8	9.6	11.3	13.5
July.....	3.1	2.9	3.0	2.9	3.2	4.5	3.8	7.1	8.7	10.2	9.0	10.1
August.....	2.6	2.7	2.8	2.9	3.0	4.5	6.2	6.7	10.4	7.0	10.5	12.3
September.....	3.2	3.4	3.2	3.3	3.2	7.3	7.7	9.1	5.9	13.7	10.3	11.6
October.....	2.8	3.2	2.8	3.2	3.7	10.8	3.2	7.7	9.9	8.2	13.4	11.3
November.....	2.9	.5	3.2	3.2	3.3	4.4	7.7	9.8	7.7	14.8	13.6	12.1
December.....	2.8	3.0	2.7	2.7	3.8	2.2	8.3	3.3	6.9	9.3	11.5	16.4
Yearly Totals.....	30.4	32.2	40.1	37.2	38.9	56.9	70.0	81.7	113.6	118.7	131.6	145.1

⁴ A minus sign denotes a net import.

TABLE 9.—GOLD EXPORTS AND IMPORTS, 1926-1937 (Concluded)

D. Net Monetary Gold Exports ⁴

(Millions of dollars)

Month	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
January.....	10.6	34.2	41.0	35.6	- 0.2	22.4	2.0	.....	.....	.....	.....	.....
February.....	11.5	- 0.5	5.5	0.3	- 0.1	- 2.2	2.9	.....	- 2.6	- 2.1	.....	.....
March.....	44.1	1.8	- 2.1	0.8	- 0.1	- 2.6	2.2	2.4	.....	.....	.....	- 8.8
April.....	- 7.5	- 5.4	- 1.9	- 0.6	- 0.8	- 3.0	2.2	- 2.5	.....	.....	.....	- 3.4
May.....	-21.6	- 3.6	- 2.3	- 0.3	- 0.8	- 2.7	.....	2.7	.....	.....	.....	4.0
June.....	- 2.2	- 2.0	9.9	2.1	- 0.7	15.1	0.2	3.4	- 1.7	.....	.....	6.5
July.....	- 2.3	0.6	13.6	- 0.2	- 1.7	- 0.3	0.9	.....	.....	.....	.....	1.7
August.....	-11.6	- 1.0	- 2.0	- 0.4	-16.7	- 1.7	- 1.2	.....	.....	.....	.....	.....
September.....	- 2.7	- 2.6	- 4.9	- 0.3	- 9.3	0.6	- 1.3	.....	.....	.....	.....	.....
October.....	- 3.2	- 2.6	- 2.0	- 0.2	- 4.0	.....	- 2.7	.....	.....	.....	.....	.....
November.....	- 5.6	- 3.7	- 2.7	- 0.2	-11.5	1.2	- 2.6	.....	.....	.....	.....	.....
December.....	- 8.5	-22.4	- 3.6	- 0.2	10.2	6.4	0.3	.....	.....	.....	.....	.....
Yearly Totals.....	1.0	- 7.2	48.5	36.4	-35.7	32.2	2.9	6.0	- 4.3	- 2.1	.....	.....

⁴ A minus sign denotes a net import.

E. Purchase of Domestic Gold for Canadian Monetary Stocks

(Millions of dollars)

Month	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
January.....	.....	2.3	.....	.....	0.2	2.2	0.4	.....	.....	.....	.....	.....
February.....	0.5	1.5	.....	.....	0.1	2.2	0.1	.....	2.6	2.0	.....	.....
March.....	.....	1.7	2.1	.....	0.1	2.6	.....	.....	.....	.....	.....	8.8
April.....	2.5	2.4	1.9	0.6	0.8	3.0	.....	2.5	.....	.....	.....	3.4
May.....	2.3	2.6	2.3	0.3	0.8	2.7	.....	.....	.....	.....	.....	.....
June.....	2.2	2.0	.....	.....	0.7	.....	.....	.....	1.7	.....	.....	.....
July.....	2.3	.....	.....	0.2	1.7	0.3	.....	.....	.....	.....	.....	.....
August.....	2.0	2.0	2.0	0.4	2.2	1.7	1.2	.....	.....	.....	.....	.....
September.....	2.7	2.6	2.4	0.3	2.3	1.2	1.3	.....	.....	.....	.....	.....
October.....	2.2	2.6	2.0	0.2	3.0	6.8	2.7	.....	.....	.....	.....	.....
November.....	2.4	2.7	2.7	0.2	2.5	1.9	3.4	.....	.....	.....	.....	.....
December.....	2.5	2.4	.....	0.2	2.8	.....	.....	.....	.....	.....	.....	.....
Yearly Totals.....	21.6	24.8	15.4	2.4	17.2	24.6	9.1	2.5	4.3	2.0	.....	12.2

TABLE 10.—ESTIMATED DISTRIBUTION OF TOURIST EXPENDITURES BETWEEN CANADA AND OTHER COUNTRIES, 1926-1937

(In millions of dollars)

Year	Credits—Expenditures of Foreign Tourists in Canada				Debits—Expenditures of Canadian Tourists Abroad				Net Credits (+); Net Debits (-)			
	Total	United Kingdom	United States	Other Countries	Total	United Kingdom	United States	Other Countries	Total	United Kingdom	United States	Other Countries
1926.....	201.2	8.0	188.9	4.3	98.7	21.5	69.3	7.9	+102.5	—	+119.6	—
1927.....	238.5	9.4	224.0	5.1	108.7	20.4	80.8	7.5	+129.8	—	+143.2	—
1928.....	275.2	8.9	261.5	4.8	107.5	18.8	81.8	6.9	+167.7	—	+179.7	—
1929.....	309.4	9.0	295.6	4.8	121.6	19.9	94.4	7.3	+187.8	—	+201.2	—
1930.....	279.2	8.4	266.3	4.5	100.4	18.6	74.9	6.9	+178.8	—	+191.4	—
1931.....	250.8	7.8	238.8	4.2	76.4	14.2	56.9	5.3	+174.4	—	+181.9	—
1932.....	212.4	6.8	201.9	3.7	57.4	14.1	38.1	5.2	+155.0	—	+163.8	—
1933.....	117.1	5.0	109.4	2.7	50.9	10.2	38.9	3.8	+66.2	—	+72.5	—
1934.....	146.0	6.2	136.5	3.3	63.6	10.4	49.3	3.9	+82.4	—	+87.2	—
1935.....	214.8	6.6	204.7	3.5	95.6	12.0	79.1	4.5	+119.2	—	+125.6	—
1936.....	251.3	8.4	238.4	4.5	110.4	15.5	89.1	5.8	+140.9	—	+149.3	—
1937.....	294.7	11.0	277.7	6.0	124.4	16.3	102.1	6.0	+170.3	—	+175.6	—
Total 12 years, 1926-1937.....	2,790.6	95.5	2,643.7	51.4	1,115.6	191.9	852.7	71.0	+1,675.0	—	+1,791.0	—
Average per year.....	232.6	8.0	220.3	4.3	93.0	16.0	71.1	5.9	+139.6	—	+149.2	—

**TABLE 12.—INTEREST PAYMENTS ON CANADIAN BONDS AND DEBENTURES
HELD OUTSIDE OF CANADA, BY GROUPS OF BORROWERS, 1927-1937**

(In millions of dollars)

A. Total Interest on All Bonds Held Outside of Canada

Year	Dominion ¹	Provincial ¹	Municipal	Steam Railways		Other Corpora- tions	Total
				Guaranteed	Not Guaranteed		
1927.....	28.4	20.7	17.5	27.4	26.4	30.9	151.3
1928.....	28.1	21.7	18.3	27.7	26.8	36.3	158.9
1929.....	27.8	23.3	18.6	29.7	27.4	37.0	163.8
1930.....	25.3	25.7	19.4	31.9	29.2	39.6	171.1
1931.....	28.9	27.6	20.2	33.6	31.1	38.7	180.1
1932.....	27.2	27.9	19.7	34.5	30.0	31.9	171.2
1933.....	30.1	27.9	18.6	34.2	29.2	28.2	168.3
1934.....	32.3	26.5	17.9	33.4	28.3	28.6	167.0
1935.....	30.0	25.9	17.7	27.0	27.3	27.7	155.6
1936.....	30.8	24.7	17.2	26.4	26.0	29.8	154.9
1937 ²	31.0	24.2	16.6	25.4	25.3	27.5	150.0

B. Interest on Bonds Held in the United Kingdom

Year	Dominion ¹	Provincial ¹	Municipal	Steam Railways		Other Corpora- tions	Total
				Guaranteed	Not Guaranteed		
1927.....	8.9	2.9	8.0	16.3	17.1	9.3	62.5
1928.....	8.7	2.7	8.0	16.1	17.0	9.1	61.6
1929.....	8.6	3.3	8.1	16.1	16.9	8.9	61.9
1930.....	8.4	2.9	8.0	15.3	17.1	8.7	60.4
1931.....	8.3	2.8	7.7	15.2	17.0	7.2	58.2
1932.....	8.2	3.1	7.0	15.2	16.4	7.1	57.0
1933.....	8.1	3.3	6.3	15.0	16.1	6.3	55.1
1934.....	11.3	3.1	6.0	14.3	15.6	6.4	56.7
1935.....	11.7	3.0	6.1	14.3	15.5	5.1	55.7
1936.....	11.7	2.9	6.0	14.2	15.5	5.2	55.5
1937 ²	11.6	2.9	6.0	14.2	15.4	4.9	55.0

C. Interest on Bonds Held in the United States

Year	Dominion ¹	Provincial ¹	Municipal	Steam Railways		Other Corpora- tions	Total
				Guaranteed	Not Guaranteed		
1927.....	19.5	17.7	9.5	11.1	9.3	21.1	88.2
1928.....	19.4	18.9	10.3	11.6	9.8	26.6	96.6
1929.....	19.2	19.9	10.5	13.6	10.5	27.6	101.3
1930.....	16.9	22.7	11.4	16.6	12.1	30.2	109.9
1931.....	20.6	24.7	12.5	18.4	14.1	30.8	121.1
1932.....	19.0	24.7	12.7	19.3	13.6	24.2	113.5
1933.....	22.0	24.5	12.3	19.2	13.1	21.5	112.6
1934.....	21.0	23.3	11.9	19.1	12.7	21.7	109.7
1935.....	18.3	22.8	11.6	12.7	11.8	21.9	99.1
1936.....	19.1	21.7	11.2	12.2	10.5	24.0	98.7
1937 ²	19.4	21.2	10.6	11.2	9.9	22.0	94.3

¹ Includes guaranteed issues exclusive of steam railways.

² Subject to final revision.

TABLE 13.—ESTIMATED TOTAL CAPITAL BROUGHT BY IMMIGRANTS INTO CANADA, 1926, 1930-1936

Brought by Immigrants from	1926	1930	1931	1932	1933	1934	1935	1936
	\$	\$	\$	\$	\$	\$	\$	\$
United Kingdom.....	2,329,750	1,835,460	383,900	166,350	115,200	108,300	105,150	109,850
U.S.A. (farmers and farm labourers).....	4,306,500	3,172,000	1,398,000	1,210,500	684,000	451,000	374,000	318,000
U.S.A. (other immigrants)	1,233,100	1,954,500	1,239,900	1,128,800	713,200	516,900	454,300	424,000
U.S.A. (returning Canadians).....	5,452,300	3,011,400	2,035,200	1,822,000	1,020,900	727,200	637,800	516,800
Other Countries.....	1,623,750	1,109,750	116,425	88,875	89,450	105,975	97,075	114,250
Total.....	14,945,400	11,083,050	5,173,425	4,416,525	2,622,750	1,909,375	1,668,325	1,482,900

TABLE 14.—EMIGRATION FROM CANADA—CALENDAR YEARS, 1926, 1930-1936

Description	1926	1930	1931	1932	1933	1934	1935	1936
Emigrants to United States ¹	33,468	47,800	9,556	6,539	6,135	7,873	7,515	9,686
Emigrants to United Kingdom ²	10,481	15,820	17,864	21,187	16,371	12,128	9,712	10,107
Emigrants to Other Countries ³	15,883	9,286	4,678	4,582	3,685	3,636	3,111	3,583
U.S. Citizens—former immigrants to Canada—returning permanently to the United States ⁴	9,500	9,167	6,000	5,000	3,818	5,976	5,000	5,800
Total Emigration.....	129,332	82,073	38,098	37,308	30,009	29,613	25,338	29,176

¹ United States Department of Labour, Bureau of Immigration—"immigrant aliens admitted to the United States, who gave Canada as their last permanent residence, during calendar years." The 1930 figure is an estimate on the basis of the published statistics for 11 months only.

² Official British Statistics (Board of Trade Journals) "Immigrants from Canada."

³ Counting the emigration to the United States and the United Kingdom, and allowing for immigration into Canada and the computed natural increase in the population of Canada, the total loss of population not otherwise accounted for in the intercensal period 1921-1931 was 14% of the recorded emigration. This percentage is, therefore, applied to the total of recorded emigration to the United States and the United Kingdom in order to compute the amount of other emigration.

⁴ United States Bureau of Immigration. Figures from 1931 to 1936 are estimates obtained direct from the Bureau of Immigration.

TABLE 15.—ESTIMATED TOTAL CAPITAL TAKEN OUT BY EMIGRANTS FROM CANADA, 1926, 1930-1936

Taken out by Emigrants to	1926	1930	1931	1932	1933	1934	1935	1936
	\$	\$	\$	\$	\$	\$	\$	\$
United States (Including U.S. citizens returning).....	12,872,000	6,313,000	1,481,000	1,013,000	1,244,000	1,731,000	1,563,000	1,936,000
United Kingdom.....	1,209,000	1,590,000	1,702,000	2,117,000	1,707,000	1,468,000	1,194,000	1,238,000
Other Countries.....	1,932,000	1,036,000	270,000	254,000	281,000	387,000	351,000	423,000
Total.....	16,013,000	8,939,000	3,453,000	3,384,000	3,232,000	3,586,000	3,108,000	3,597,000

TABLE 16.—NEW ISSUES OF CANADIAN SECURITIES SOLD OUTSIDE OF CANADA, 1927-1937

A. Total New Issues of Canadian Securities Sold Outside of Canada, 1927-1937

(In millions of dollars)

Year	Total All Issues ¹	DOMINION	PROVINCIAL	Municipal	Steam Railways		Other ¹ Corporations
		Direct and Indirect except Railways	Direct and Indirect except Railways		Guaranteed ²	Other	
1927.....	318.6	.....	81.2	28.4	68.8	18.8	121.4
1928.....	223.4	0.1	53.3	8.6	18.8	13.0	129.6
1929.....	312.8	11.0	81.0	20.8	72.5	47.7	79.8
1930.....	419.3	107.6	97.6	45.5	34.3	56.6	77.7
1931.....	204.9	42.2	73.3	26.9	51.3	5.5	5.7
1932.....	104.7	60.0	43.6	0.1	.....	.....	1.0
1933.....	135.9	133.6	.....	.....	.....	.....	2.3
1934.....	114.8	101.4	.....	6.2	.....	3.6	3.6
1935.....	121.0	116.0	.....	4.2	.....	.....	0.8
1936.....	110.1	79.0	.....	.....	.....	.....	31.1
1937.....	93.1	85.0	3.3	.....	.....	4.0	0.8

B. New Issues of Canadian Securities Sold in the United Kingdom, 1927-1937

(In millions of dollars)

Year	Total All Issues	DOMINION	PROVINCIAL	Municipal	Steam Railways		Other Corporations
		Direct and Indirect except Railways	Direct and Indirect except Railways		Guaranteed ²	Other	
1927.....	46.0	.....	.....	0.4	33.8	.....	11.8
1928.....	20.9	.....	9.7	4.1	.....	.....	7.1
1929.....	30.5	.....	7.4	8.8	.....	.....	14.3
1930.....	19.9	.....	.....	.....	.....	4.9	15.0
1931.....	1.2	.....	.....	.....	.....	.....	1.2
1932.....	16.6	.....	16.1	0.1	.....	.....	0.4
1933.....	74.4	73.0	.....	.....	.....	.....	1.4
1934.....	60.6	48.7	.....	6.2	.....	3.6	2.1
1935.....	0.5	.....	.....	.....	.....	.....	0.5
1936.....	3.8	.....	.....	.....	.....	.....	3.8
1937.....	4.0	.....	.....	.....	.....	4.0	.....

NOTE.—See text, pages 114, 115—"Sources of Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

¹ Includes small amounts sold elsewhere than in Canada, the United Kingdom and the United States.

² Guaranteed by the Dominion or a provincial government.

TABLE 16.—NEW ISSUES OF CANADIAN SECURITIES SOLD OUTSIDE OF CANADA, 1927-1937—Concluded**C. New Issues of Canadian Securities Sold in the United States, 1927-1937**

(In millions of dollars)

Year	Total All Issues	DOMINION	PROVINCIAL	Municipal	Steam Railways		Other Corporations
		Direct and Indirect except Railways	Direct and Indirect except Railways		Guaranteed ¹	Other	
1927.....	271.8	.....	81.2	28.0	35.0	18.8	108.8
1928.....	202.0	0.1	43.6	4.5	18.8	13.0	122.0
1929.....	281.4	11.0	73.6	12.0	72.5	47.7	64.6
1930.....	398.8	107.6	97.6	45.5	34.3	51.7	62.1
1931.....	203.5	42.2	73.3	26.9	51.3	5.5	4.3
1932.....	87.8	60.0	27.5	.....	.....	.....	0.3
1933.....	61.1	60.6	.....	.....	.....	.....	0.5
1934.....	53.6	52.7	.....	.....	.....	.....	0.9
1935.....	120.5	116.0	.....	4.2	.....	.....	0.3
1936.....	109.0	79.0	.....	.....	.....	.....	30.0
1937.....	89.1	85.0	3.3	.....	.....	.....	0.8

¹ Guaranteed by the Dominion or a provincial government.**TABLE 17.—RETIREMENTS, FROM 1927-1937, OF CANADIAN SECURITIES ORIGINALLY SOLD OUTSIDE OF CANADA****A. Total Retirements of Canadian Securities Originally Sold Outside of Canada**

(In millions of dollars)

Year	Total All Issues ¹	DOMINION	PROVINCIAL	Municipal	Steam Railways		Other ¹ Corporations
		Direct and Indirect except Railways	Direct and Indirect except Railways ¹		Guaranteed ²	Other	
1927.....	136.3	3.4	40.1	6.8	20.4	41.3	24.3
1928.....	183.7	8.9	42.1	8.2	1.4	31.7	91.4
1929.....	136.6	58.1	33.0	14.2	3.1	5.2	23.0
1930.....	96.8	3.8	28.0	16.2	31.8	4.3	12.7
1931.....	201.4	88.2	59.2	15.7	2.8	5.9	29.6
1932.....	102.7	3.6	40.3	25.8	3.6	8.3	21.1
1933.....	165.9	69.5	36.7	16.0	1.8	8.3	33.6
1934.....	168.0	94.5	15.0	8.6	18.5	15.3	16.1
1935.....	257.9	57.5	24.3	19.2	111.5	19.5	25.9
1936.....	254.2	83.6	15.1	19.4	32.1	26.2	77.8
1937.....	176.4	66.9	21.1	23.3	1.3	9.0	54.8

NOTE.—See text, pages 119-121—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

¹ Includes some small amounts of issues originally sold in countries other than Canada, the United Kingdom and the United States.² Guaranteed by the Dominion or a provincial government.

TABLE 17.—RETIREMENTS, FROM 1927-1937, OF CANADIAN SECURITIES ORIGINALLY SOLD OUTSIDE OF CANADA—Concluded**B. Retirements of Canadian Securities Originally Sold in the United Kingdom**

(In millions of dollars)

Year	Total All Issues	DOMINION	PROVINCIAL	Municipal	Steam Railways		Other Corpor- ations
		Direct and Indirect except Railways	Direct and Indirect except Railways		Guaranteed ¹	Other	
1927.....	56.7	3.4	1.9	1.8	.....	34.9	14.7
1928.....	59.4	3.5	6.0	3.5	1.0	24.9	20.5
1929.....	35.8	3.6	11.4	8.7	2.7	.....	9.4
1930.....	34.3	3.7	1.7	3.6	20.4	0.1	4.8
1931.....	21.9	3.8	1.7	5.8	1.1	.....	9.5
1932.....	28.2	3.6	1.5	17.1	1.2	.....	4.8
1933.....	35.3	1.4	7.0	8.8	1.1	.....	17.0
1934.....	48.4	17.3	2.3	1.9	18.1	5.6	3.2
1935.....	24.0	3.7	4.0	8.1	1.0	.....	7.2
1936.....	22.7	3.6	0.8	2.5	2.1	5.9	7.8
1937.....	26.7	2.4	7.5	1.6	0.9	3.8	10.5

C. Retirements of Canadian Securities Originally Sold in the United States

(In millions of dollars)

Year	Total All Issues	DOMINION	PROVINCIAL	Municipal	Steam Railways		Other Corpor- ations
		Direct and Indirect except Railways	Direct and Indirect except Railways		Guaranteed ¹	Other	
1927.....	79.1	.....	37.9	5.0	20.4	6.4	9.4
1928.....	123.6	5.4	35.8	4.7	0.4	6.8	70.5
1929.....	98.8	54.5	21.2	5.5	0.4	5.2	12.0
1930.....	60.8	0.1	26.1	12.6	11.4	4.2	6.4
1931.....	177.5	84.4	57.2	9.9	1.7	5.9	18.4
1932.....	73.7	.....	38.5	8.7	2.4	8.3	15.8
1933.....	129.5	68.1	29.7	7.2	0.7	8.3	15.5
1934.....	119.1	77.2	12.7	6.7	0.4	9.7	12.4
1935.....	233.9	53.8	20.3	11.1	110.5	19.5	18.7
1936.....	230.5	80.0	14.3	16.9	30.0	20.3	69.0
1937.....	149.4	64.5	13.6	21.7	0.4	5.2	44.0

NOTE.—See text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

¹ Guaranteed by the Dominion or a provincial government.

TABLE 18.—NET NEW ISSUES OR NET RETIREMENTS

A. Net Difference Between Total Sales of New Issues of Canadian Securities Outside of Canada and Total Retirements of Issues Originally Sold Outside of Canada, 1927-1937

(Net New Issues +; Net Retirements -)

(In millions of dollars)

Year	All Countries ¹			United Kingdom			United States		
	New Issues	Retirements	Net	New Issues	Retirements	Net	New Issues	Retirements	Net
1927.....	318.6	136.3	+182.3	46.0	56.7	- 10.7	271.8	79.1	+192.7
1928.....	223.4	183.7	+ 39.7	20.9	59.4	- 38.5	202.0	123.6	+ 78.4
1929.....	312.8	136.6	+176.2	30.5	35.8	- 5.3	281.4	98.8	+182.6
1930.....	419.3	96.8	+322.5	19.9	34.3	- 14.4	398.8	60.8	+338.0
1931.....	204.9	201.4	+ 3.5	1.2	21.9	- 20.7	203.5	177.5	+ 26.0
1932.....	104.7	102.7	+ 2.0	16.6	28.2	- 11.6	87.8	73.7	+ 14.1
1933.....	135.9	165.9	- 30.0	74.4	35.3	+ 39.1	61.1	129.5	- 68.4
1934.....	114.8	168.0	- 53.2	60.6	48.4	+ 12.2	53.6	119.1	- 65.5
1935.....	121.0	257.9	-136.9	0.5	24.0	- 23.5	120.5	233.9	-113.4
1936.....	110.1	254.2	-144.1	1.1	22.7	- 21.6	109.0	230.5	-121.5
1937.....	93.1	176.4	- 83.3	4.0	26.7	- 22.5	89.1	149.4	- 60.3
Total.....	2,158.6	1,879.9	+278.7	275.7	393.4	-117.7	1,878.6	1,475.9	+402.7

NOTE.—See text, pages 119-121—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

¹ Includes some small amounts of issues sold in countries other than Canada, the United Kingdom and the United States.

B. Net Difference Between Sales of New Issues of Dominion Direct and Guaranteed (except Railway) Securities Outside of Canada and Retirements of Issues Originally Sold Outside of Canada, 1927-1937

(Net New Issues +; Net Retirements -)

(In millions of dollars)

Year	All Countries			United Kingdom			United States		
	New Issues	Retirements	Net	New Issues	Retirements	Net	New Issues	Retirements	Net
1927.....		3.4	- 3.4		3.4	- 3.4			
1928.....	0.1	8.9	- 8.8		3.5	- 3.5	0.1	5.4	- 5.3
1929.....	11.0	58.1	- 47.1		3.6	- 3.6	11.0	54.5	- 43.5
1930.....	107.6	3.8	+103.8		3.7	- 3.7	107.6	0.1	+107.5
1931.....	42.2	88.2	- 46.0		3.8	- 3.8	42.2	84.4	- 42.2
1932.....	60.0	3.6	+ 56.4		3.6	- 3.6	60.0		+ 60.0
1933.....	133.6	69.5	+ 64.1	73.0	1.4	+ 71.6	60.6	68.1	- 7.5
1934.....	101.4	94.5	+ 6.9	48.7	17.3	+ 31.4	52.7	77.2	- 24.5
1935.....	116.0	57.5	+ 58.5		3.7	- 3.7	116.0	53.8	+ 62.2
1936.....	79.0	83.6	- 4.6		3.6	- 3.6	79.0	80.0	- 1.0
1937.....	85.0	66.9	+ 18.1		2.4	- 2.4	85.0	64.5	+ 20.5
Total.....	735.9	538.0	+197.9	121.7	50.0	+ 71.7	614.2	488.0	+126.2

NOTE.—See text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

TABLE 18.—NET NEW ISSUES OR NET RETIREMENTS—Continued

C. Net Difference Between Sales of New Issues of Provincial Direct and Guaranteed (except railway) Securities Outside of Canada and Retirements of Issues Originally Sold Outside of Canada, 1927-1937

(Net New Issues +; Net Retirements -)

(In millions of dollars)

Year	All Countries ¹			United Kingdom			United States		
	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net
1927.....	81.2	40.1	+ 41.1	.....	1.9	- 1.9	81.2	37.9	+ 43.3
1928.....	53.3	42.1	+ 11.2	9.7	6.0	+ 3.7	43.6	35.8	+ 7.8
1929.....	81.0	33.0	+ 48.0	7.4	11.4	- 4.0	73.6	21.2	+ 52.4
1930.....	97.6	28.0	+ 69.6	.....	1.7	- 1.7	97.6	26.1	+ 71.5
1931.....	73.3	59.2	+ 14.1	.....	1.7	- 1.7	73.3	57.2	+ 16.1
1932.....	43.6	40.3	+ 3.3	16.1	1.5	+ 14.6	27.5	38.5	- 11.0
1933.....	.....	36.7	- 36.7	.....	7.0	- 7.0	.....	29.7	- 29.7
1934.....	.....	15.0	- 15.0	.....	2.3	- 2.3	.....	12.7	- 12.7
1935.....	.....	24.3	- 24.3	.....	4.0	- 4.0	.....	20.3	- 20.3
1936.....	.....	15.1	- 15.1	.....	0.8	- 0.8	.....	14.3	- 14.3
1937.....	3.3	21.1	- 17.8	.....	7.5	- 7.5	3.3	13.6	- 10.3
Total.....	433.3	354.9	+ 78.4	33.2	45.8	- 12.6	400.1	307.3	+ 92.8

NOTE.—See text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

¹ Includes some small amounts of issues sold in countries other than Canada, the United Kingdom and the United States.

D. Net Difference Between Sales of New Issues of Canadian Municipal Securities Outside of Canada and Retirements of Issues Originally Sold Outside of Canada, 1927-1937

(Net New Issues +; Net Retirements -)

(In millions of dollars)

Year	All Countries			United Kingdom			United States		
	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net
1927.....	28.4	6.8	+ 21.6	0.4	1.8	- 1.4	28.0	5.0	+ 23.0
1928.....	8.6	8.2	+ 0.4	4.1	3.5	+ 0.6	4.5	4.7	- 0.2
1929.....	20.8	14.2	+ 6.6	8.8	8.7	+ 0.1	12.0	5.5	+ 6.5
1930.....	45.5	16.2	+ 29.3	.....	3.6	- 3.6	45.5	12.6	+ 32.9
1931.....	26.9	15.7	+ 11.2	.....	5.8	- 5.8	26.9	9.9	+ 17.0
1932.....	0.1	25.8	- 25.7	0.1	17.1	- 17.0	.....	8.7	- 8.7
1933.....	.....	16.0	- 16.0	.....	8.8	- 8.8	.....	7.2	- 7.2
1934.....	6.2	8.6	- 2.4	6.2	1.9	+ 4.3	.....	6.7	- 6.7
1935.....	4.2	19.2	- 15.0	.....	8.1	- 8.1	4.2	11.1	- 6.9
1936.....	.....	19.4	- 19.4	.....	2.5	- 2.5	.....	16.9	- 16.9
1937.....	.....	23.3	- 23.3	.....	1.6	- 1.6	.....	21.7	- 21.7
Total.....	140.7	173.4	- 32.7	19.6	63.4	- 43.8	121.1	110.0	+ 11.1

NOTE.—See text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

TABLE 18.—NET NEW ISSUES OR NET RETIREMENTS—Continued

E. Net Difference Between Sales of New Issues of Guaranteed Steam Railway Securities Outside of Canada and Retirements of Issues Originally Sold Outside of Canada, 1927-1937

(Net New Issues +; Net Retirements -)

(In millions of dollars)

Year	All Countries			United Kingdom			United States		
	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net
1927.....	68.8	20.4	+ 48.4	33.8	.....	+ 33.8	35.0	20.4	+ 14.6
1928.....	18.8	1.4	+ 17.4	.....	1.0	- 1.0	18.8	0.4	+ 18.4
1929.....	72.5	3.1	+ 69.4	.....	2.7	- 2.7	72.5	0.4	+ 72.1
1930.....	34.3	31.8	+ 2.5	.....	20.4	- 20.4	34.3	11.4	+ 22.9
1931.....	51.3	2.8	+ 48.5	.....	1.1	- 1.1	51.3	1.7	+ 49.6
1932.....	.....	3.6	- 3.6	.....	1.2	- 1.2	.....	2.4	- 2.4
1933.....	.....	1.8	- 1.8	.....	1.1	- 1.1	.....	0.7	- 0.7
1934.....	.....	18.5	- 18.5	.....	18.1	- 18.1	.....	0.4	- 0.4
1935.....	.....	111.5	- 111.5	.....	1.0	- 1.0	.....	110.5	- 110.5
1936.....	.....	32.1	- 32.1	.....	2.1	- 2.1	.....	30.0	- 30.0
1937.....	.....	1.3	- 1.3	.....	0.9	- 0.9	.....	0.4	- 0.4
Total.....	245.7	228.3	+ 17.4	33.8	49.6	- 15.8	211.9	178.7	+ 33.2

NOTE.—See text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

F. Net Difference Between Sales of New Issues of Unguaranteed Steam Railway Securities Outside of Canada and Retirements of Issues Originally Sold Outside of Canada, 1927-1937

(Net New Issues +; Net Retirements -)

(In millions of dollars)

Year	All Countries			United Kingdom			United States		
	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net
1927.....	18.8	41.3	- 22.5	.....	34.9	- 34.9	18.8	6.4	+ 12.4
1928.....	13.0	31.7	- 18.7	.....	24.9	- 24.9	13.0	6.8	+ 6.2
1929.....	47.7	5.2	+ 42.5	.....	.....	.....	47.7	5.2	+ 42.5
1930.....	56.6	4.3	+ 52.3	4.9	0.1	+ 4.8	51.7	4.2	+ 47.5
1931.....	5.5	5.9	- 0.4	.....	.....	.....	5.5	5.9	- 0.4
1932.....	.....	8.3	- 8.3	.....	.....	.....	.....	8.3	- 8.3
1933.....	.....	8.3	- 8.3	.....	.....	.....	.....	8.3	- 8.3
1934.....	3.6	15.3	- 11.7	3.6	5.6	- 2.0	.....	9.7	- 9.7
1935.....	.....	19.5	- 19.5	.....	.....	.....	.....	19.5	- 19.5
1936.....	.....	26.2	- 26.2	.....	5.9	- 5.9	.....	20.3	- 20.3
1937.....	4.0	9.0	- 5.0	4.0	3.8	+ 0.2	.....	5.2	- 5.2
Total.....	149.2	175.0	- 25.8	12.5	75.2	- 62.7	136.7	99.8	+ 36.9

NOTE.—See text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

TABLE 18.—NET NEW ISSUES OR NET RETIREMENTS—Concluded

G. Net Difference Between Sales of New Issues of Corporation Securities Outside of Canada and Retirements of Issues Originally Sold Outside of Canada, 1927-1937

(Net New Issues +; Net Retirements -)

(In millions of dollars)

Year	All Countries ¹			United Kingdom			United States		
	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net	New Issues	Retire-ments	Net
1927.....	121.4	24.3	+ 97.1	11.8	14.7	- 2.9	108.8	9.4	+ 99.4
1928.....	129.6	91.4	+ 38.2	7.1	20.5	- 13.4	122.0	70.5	+ 51.5
1929.....	79.8	23.0	+ 56.8	14.3	9.4	+ 4.9	64.6	12.0	+ 52.6
1930.....	77.7	12.7	+ 65.0	15.0	4.8	+ 10.2	62.1	6.4	+ 55.7
1931.....	5.7	29.6	- 23.9	1.2	9.5	- 8.3	4.3	18.4	- 14.1
1932.....	1.0	21.1	- 20.1	0.4	4.8	- 4.4	0.3	15.8	- 15.5
1933.....	2.3	33.6	- 31.3	1.4	17.0	- 15.6	0.5	15.5	- 15.0
1934.....	3.6	16.1	- 12.5	2.1	3.2	- 1.1	0.9	12.4	- 11.5
1935.....	0.8	25.9	- 25.1	0.5	7.2	- 6.7	0.3	18.7	- 18.4
1936.....	31.1	77.8	- 46.7	1.1	7.8	- 6.7	20.0	69.0	- 39.0
1937.....	0.8	54.8	- 54.0	.....	10.5	- 10.5	0.8	44.0	- 43.2
Total.....	453.8	410.3	+ 43.5	54.9	109.4	- 54.5	394.6	292.1	+ 102.5

NOTE.—See text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

¹ Includes some small amounts of issues sold in countries other than Canada, the United Kingdom and the United States.

TABLE 19.—ANALYSIS OF RETIREMENTS OF CANADIAN SECURITIES HELD ABROAD, 1935

(In millions of dollars)

Country of Ownership and Groups of Issuers	Total Retire- ments	Method of Retirement			
		Maturities	Calls	Serial Redemp- tions	Other
I.—ALL COUNTRIES OUTSIDE OF CANADA—					
1. Dominion Direct and Guaranteed (except Railways).....	57.5	53.8	.....	.....	3.7
2. Provincial Direct and Guaranteed (except Railways).....	24.3	16.2	3.5	3.0	1.6
3. Municipal.....	19.2	7.3	.....	6.0	5.9
4. Steam Railways—Total.....	131.0	24.0	98.5	5.3	3.2
Guaranteed by Dominion or Province.....	111.5	11.6	98.5	0.4	1.0
Other.....	19.5	12.4	.....	4.9	2.2
5. Other Corporations.....	25.9	8.2	6.9	1.2	9.6
6. Grand Total.....	257.9	109.5	108.9	15.5	24.0
II.—UNITED KINGDOM—					
1. Dominion Direct and Guaranteed (except Railways).....	3.7	.....	.....	.....	3.7
2. Provincial Direct and Guaranteed (except Railways).....	4.0	.....	3.5	.....	0.5
3. Municipal.....	8.1	6.7	.....	.....	1.4
4. Steam Railways—Total.....	1.0	.....	.....	.....	1.0
Guaranteed by Dominion or Province.....	1.0	.....	.....	.....	1.0
Other.....	.....	.....	.....	.....	.....
5. Other Corporations.....	7.2	4.7	1.8	.....	0.7
6. Total.....	24.0	11.4	5.3	.....	7.3
III.—UNITED STATES—					
1. Dominion Direct and Guaranteed (except Railways).....	53.8	53.8	.....	.....	.....
2. Provincial Direct and Guaranteed (except Railways).....	20.3	16.2	.....	3.0	1.1
3. Municipal.....	11.1	0.6	.....	6.0	4.5
4. Steam Railways—Total.....	130.0	24.0	98.5	5.3	2.2
Guaranteed by Dominion or Province.....	110.5	11.6	98.5	0.4	.....
Other.....	19.5	12.4	.....	4.9	2.2
5. Other Corporations.....	18.7	3.5	5.1	1.2	8.9
6. Total.....	233.9	98.1	103.6	15.5	16.7

NOTE: See Text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

TABLE 20.—ANALYSIS OF RETIREMENTS OF CANADIAN SECURITIES HELD ABROAD, 1936

(In millions of dollars)

Country of Ownership and Groups of Issuers	Total Retire-ments	Method of Retirement			
		Maturities	Calls	Serial Redemp-tions	Other
I. ALL COUNTRIES OTHER THAN CANADA—					
1. Dominion Direct and Guaranteed (except Railways).....	83.6	80.0	.....	.....	3.6
2. Provincial Direct and Guaranteed (except Railways).....	15.1	10.3	.....	3.3	1.5
3. Municipal.....	19.4	9.4	.....	5.2	4.8
4. Steam Railways—Total.....	58.3	46.7	3.3	5.3	3.0
Guaranteed by Dominion or Province.....	32.1	30.7	.....	0.4	1.0
Other.....	26.2	16.0	3.3	4.9	2.0
5. Other Corporations.....	77.8	2.8 ¹	68.1 ²	0.6	6.3
6. Grand Total.....	254.2	149.2 ¹	71.4 ²	14.4	19.2
II. UNITED KINGDOM—					
1. Dominion Direct and Guaranteed (except Railways).....	3.6	.....	.....	.....	3.6
2. Provincial Direct and Guaranteed (except Railways).....	0.8	0.3	.....	.....	0.5
3. Municipal.....	2.5	1.2	.....	.....	1.3
4. Steam Railways—Total.....	8.0	6.1	0.9	.....	1.0
Guaranteed by Dominion or Province.....	2.1	1.1	.....	.....	1.0
Other.....	5.9	5.0	0.9	.....	.....
5. Other Corporations.....	7.8	1.8	4.2	.....	1.8
6. Total.....	22.7	9.4	5.1	.....	8.2
III. UNITED STATES—					
1. Dominion Direct and Guaranteed (except Railways).....	80.0	80.0	.....	.....	.....
2. Provincial Direct and Guaranteed (except Railways).....	14.3	10.0	.....	3.3	1.0
3. Municipal.....	16.9	8.2	.....	5.2	3.5
4. Steam Railways—Total.....	50.3	40.6	2.4	5.3	2.0
Guaranteed by Dominion or Province.....	30.0	29.6	.....	0.4	.....
Other.....	20.3	11.0	2.4	4.9	2.0
5. Other Corporations.....	69.0	0.4	63.5	0.6	4.5
6. Total.....	230.5	139.2	65.9	14.4	11.0

NOTE: See Text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

¹ Includes 0.6, "Other Countries."

² Includes 0.4, "Other Countries."

TABLE 21.—ANALYSIS OF RETIREMENTS OF CANADIAN SECURITIES HELD ABROAD, 1937

(In millions of dollars)

Country of Ownership and Groups of Issuers	Total Retire-ments	Method of Retirement			
		Maturities	Calls	Serial Redemp-tions	Other
I. ALL COUNTRIES OTHER THAN CANADA—					
1. Dominion Direct and Guaranteed (except Railways).....	66.9	64.5			2.4
2. Provincial Direct and Guaranteed (except Railways).....	21.1	17.4		2.9	0.8
3. Municipal.....	23.3	0.9	12.6	5.5	4.3
4. Steam Railways—Total.....	10.3	3.7		5.2	1.4
Guaranteed by Dominion or Province.....	1.3			0.4	0.9
Other.....	9.0	3.7		4.8	0.5
5. Other Corporations.....	54.8	3.1 ¹	44.2 ²	1.2	6.3
6. Grand Total.....	176.4	89.6 ¹	56.8 ²	14.8	15.2
II. UNITED KINGDOM—					
1. Dominion Direct and Guaranteed (except Railways).....	2.4				2.4
2. Provincial Direct and Guaranteed (except Railways).....	7.5	7.3			0.2
3. Municipal.....	1.6	0.8			0.8
4. Steam Railways—Total.....	4.7	3.7			1.0
Guaranteed by Dominion or Province.....	0.9				0.9
Other.....	3.8	3.7			0.1
5. Other Corporations.....	10.5	1.4	8.0	0.1	1.0
6. Total.....	26.7	13.2	8.0	0.1	5.4
III. UNITED STATES—					
1. Dominion Direct and Guaranteed (except Railways).....	64.5	64.5			
2. Provincial Direct and Guaranteed (except Railways).....	13.6	10.1		2.9	0.6
3. Municipal.....	21.7	0.1	12.6	5.5	3.5
4. Steam Railways—Total.....	5.6			5.2	0.4
Guaranteed by Dominion or Province.....	0.4			0.4	
Other.....	5.2			4.8	0.4
5. Other Corporations.....	44.0	1.5	36.1	1.1	5.3
6. Total.....	149.4	76.2	48.7	14.7	9.8

NOTE: See Text—"Notes on Statistical Data"—for comparability between tabular data and capital movements entered in the capital account.

¹ Includes 0.2, "Other Countries."

² Includes 0.1, "Other Countries."

TABLE 22.—SALES AND PURCHASES OF SECURITIES BETWEEN CANADA AND OTHER COUNTRIES, BY MONTHS, 1933-1935

(In millions of dollars)

Year and Month	Total Transactions			United Kingdom			Sterling Funds at Montreal Average Monthly Premium + or Discount — %	United States			U.S. Funds at Montreal Average Monthly Premium + or Discount — %	Other Countries		
	Sales	Purchases	Net Sales + Purch., —	Sales to	Purchases from	Net Sales + Purch., —		Sales to	Purchases from	Net Sales + Purch., —		Sales to	Purchases from	Net Sales + Purch., —
1933														
TOTAL.....	288.7	237.7	+51.0	80.8	27.6	+53.2	— 5.76	205.6	202.9	+ 2.7	+ 9.16	2.3	7.2	— 4.9
January.....	12.7	7.4	+ 5.3	2.0	1.7	+ 0.3	— 20.95	10.5	5.5	+ 5.0	+ 14.35	0.2	0.2	— 0.8
February.....	13.9	16.0	— 2.1	1.5	3.9	— 2.4	— 15.75	12.2	11.1	+ 1.1	+ 19.67	0.2	1.0	— 0.8
March.....	7.5	7.5	.....	1.5	1.5	.....	— 15.03	5.9	5.5	+ 0.4	+ 19.88	0.1	0.5	— 0.4
April.....	17.1	11.6	+ 5.5	2.2	3.0	— 0.8	— 12.99	14.6	8.2	+ 6.4	+ 17.94	0.3	0.4	— 0.1
May.....	22.5	13.7	+ 8.8	3.1	2.3	+ 0.8	— 7.56	19.3	10.9	+ 8.4	+ 14.12	0.1	0.5	— 0.4
June.....	33.4	20.9	+ 12.5	4.1	3.6	+ 0.5	— 5.16	29.2	16.9	+ 12.3	+ 11.18	0.1	0.4	— 0.3
July.....	47.1	28.9	+ 18.2	15.5	1.9	+ 13.6	+ 1.33	31.4	26.4	+ 5.0	+ 5.85	0.2	0.6	— 0.4
August.....	33.9	15.6	+ 8.3	10.9	2.5	+ 8.4	— 1.62	12.8	12.7	+ 0.1	+ 6.08	0.2	0.4	— 0.2
September.....	23.0	24.9	— 1.9	8.7	1.6	+ 7.1	— 0.56	14.1	22.8	— 8.7	+ 3.59	0.2	0.5	— 0.3
October.....	31.0	29.8	+ 1.2	8.3	2.8	+ 5.5	— 1.62	22.5	25.2	— 2.7	+ 2.44	0.2	1.8	— 1.6
November.....	36.8	38.5	— 1.7	13.2	1.5	+ 11.7	+ 4.43	23.4	36.5	— 13.1	+ 0.96	0.2	0.3	— 0.3
December.....	19.8	22.9	— 3.1	9.8	1.3	+ 8.5	+ 4.72	9.7	21.2	— 11.5	+ 0.46	0.3	0.4	— 0.1
1934														
TOTAL.....	321.2	312.3	+ 8.9	102.1	23.8	+ 78.3	+ 2.60	216.0	284.2	— 68.2	— 0.98	3.1	4.3	— 1.2
January.....	27.4	27.7	+ 0.3	16.6	0.9	+ 15.7	+ 4.20	14.2	26.5	— 12.3	+ 0.47	0.4	0.3	+ 0.1
February.....	20.2	27.4	— 7.2	13.5	1.1	+ 14.2	+ 4.35	13.7	26.1	— 12.4	+ 0.84	0.2	0.2	— 0.1
March.....	34.0	26.2	+ 7.8	17.3	1.5	+ 15.9	+ 5.79	18.2	24.4	+ 6.2	— 0.22	0.3	0.2	+ 0.1
April.....	30.8	21.1	+ 9.7	7.4	2.7	+ 4.7	+ 4.81	23.0	19.1	+ 3.9	— 0.21	0.4	0.5	— 0.1
May.....	25.2	24.7	+ 0.5	7.3	2.7	+ 4.6	+ 5.06	17.5	21.8	— 4.3	— 0.18	0.3	0.2	+ 0.1
June.....	28.0	19.8	+ 8.2	10.3	2.4	+ 7.9	+ 5.19	17.3	16.4	+ 1.0	— 0.78	0.2	0.9	— 0.7
July.....	21.2	21.1	+ 0.1	3.8	1.4	+ 2.4	— 2.74	17.3	19.4	— 2.1	+ 1.17	0.1	0.3	— 0.2
August.....	29.2	35.0	— 6.7	5.3	2.2	+ 3.1	+ 0.92	23.6	33.4	— 9.8	+ 2.81	0.3	0.3	— 0.1
September.....	19.1	27.8	— 8.7	3.3	1.2	+ 2.1	+ 0.47	15.5	26.4	— 10.9	+ 2.86	0.3	0.3	— 0.1
October.....	26.8	26.3	+ 0.5	4.5	3.0	+ 1.5	— 0.47	22.0	23.0	— 1.0	— 2.09	0.3	0.5	— 0.4
November.....	24.9	22.5	+ 2.4	8.3	2.1	+ 6.2	+ 0.13	16.5	19.9	+ 3.4	— 2.39	0.1	0.5	— 0.2
December.....	21.6	31.8	— 10.2	4.4	3.7	+ 0.7	+ 0.42	17.0	27.7	— 10.7	— 1.22	0.2	0.4	— 0.2
1935														
TOTAL.....	301.8	250.8	+ 51.0	31.0	44.1	— 13.1	+ 1.29	268.3	200.7	+ 67.6	+ 0.54	2.5	6.0	— 3.5
January.....	20.5	25.8	— 5.3	4.3	2.5	+ 1.8	+ 0.43	16.0	23.0	— 7.0	+ 0.14	0.3	0.3	— 0.1
February.....	16.4	15.3	+ 1.1	1.5	2.8	— 1.3	+ 0.36	14.7	12.0	+ 2.7	+ 0.13	0.2	0.5	— 0.3
March.....	29.0	19.3	+ 9.7	1.8	5.6	— 3.8	— 0.85	27.0	12.1	+ 14.9	+ 0.97	0.2	1.6	— 1.4
April.....	24.1	20.0	+ 4.1	1.1	5.6	— 4.5	+ 0.08	23.8	13.9	+ 8.9	+ 0.49	0.2	0.5	— 0.3
May.....	23.8	14.3	+ 9.5	1.4	2.9	— 1.5	+ 0.61	22.1	11.0	+ 11.1	+ 0.15	0.3	0.4	— 0.1
June.....	18.1	10.5	+ 7.6	1.4	1.8	— 0.4	+ 1.57	16.4	8.5	+ 7.9	+ 0.14	0.3	0.2	+ 0.1
July.....	21.1	13.2	+ 7.9	2.7	2.5	+ 0.2	+ 2.08	18.1	10.5	+ 7.6	+ 0.22	0.3	0.2	+ 0.1
August.....	25.4	28.0	— 2.6	2.2	2.5	+ 0.3	+ 2.45	23.1	25.5	— 2.4	+ 0.27	0.1	0.2	+ 0.1
September.....	24.7	31.8	— 7.1	2.8	5.2	— 2.4	+ 2.14	21.8	15.8	+ 6.0	+ 0.80	0.1	0.6	— 0.5
October.....	31.7	31.8	— 0.1	3.1	5.6	— 2.5	+ 2.28	28.4	25.6	+ 2.8	+ 1.41	0.2	0.6	— 0.4
November.....	30.5	23.1	+ 7.4	2.5	4.1	— 1.6	+ 2.28	27.7	18.5	+ 9.2	+ 1.05	0.3	0.5	— 0.2
December.....	36.5	27.9	+ 8.6	6.2	3.2	+ 3.0	+ 2.24	30.2	24.3	+ 5.9	+ 0.93	0.1	0.4	— 0.3

TABLE 22.—SALES AND PURCHASES OF SECURITIES BETWEEN CANADA AND OTHER COUNTRIES, BY MONTHS, 1933-1938—Concluded

Year and Month	Total Transactions			United Kingdom			Sterling Funds at Montreal Average Monthly Premium + or Discount — %		United States			U.S. Funds at Montreal Average Monthly Premium + or Discount — %		Other Countries		
	Sales	Purchases	Net Sales + Purch. —	Sales to	Purchases from	Net Sales + Purch. —	%	Sales to	Purchases from	Net Sales + Purch. —	%	Sales to	Purchases from	Net Sales + Purch. —		
1936	TOTAL.....	422.5	414.7	+ 7.8	71.8	59.7	+12.1	+ 2.22	338.1	346.6	- 8.5	—	12.6	8.4	+ 4.2	
	January.....	56.9	32.6	+23.6	16.9	3.1	+ 18.0	+ 2.03	45.3	29.0	+16.3	+	0.1	0.5	+ 0.4	
	February.....	43.9	32.0	+11.9	9.0	2.9	+ 6.1	+ 2.62	35.3	28.3	+ 7.0	+	0.13	0.2	.....
	March.....	26.3	24.9	+ 1.4	4.3	4.6	- 0.3	+ 2.07	24.4	20.0	+ 4.4	+	0.13	0.2	.....
	April.....	20.2	19.7	+ 0.5	2.7	3.3	- 0.6	+ 2.32	16.8	15.4	+ 1.4	+	0.43	1.0	+ 0.2	
	May.....	17.0	21.7	- 4.7	4.4	5.7	- 1.3	+ 2.32	12.1	15.3	- 3.2	+	0.13	0.5	+ 0.3	
	June.....	20.4	22.5	- 2.1	2.5	2.5	.....	+ 2.32	17.3	19.2	- 1.9	+	0.08	0.8	+ 0.2
	July.....	21.7	29.2	- 7.5	1.9	3.5	- 1.6	+ 3.20	18.8	25.4	- 6.6	+	0.03	0.3	+ 0.7	
	August.....	23.9	32.6	- 8.7	1.6	2.6	- 1.0	+ 3.28	21.6	29.6	- 8.0	+	0.01	0.4	+ 0.3	
	September.....	30.5	34.2	- 3.7	5.3	6.2	- 0.9	+ 3.54	24.1	27.3	- 3.2	+	0.03	0.7	+ 0.4	
	October.....	38.9	50.4	-11.5	10.9	6.2	+ 4.7	+ 0.63	25.8	42.8	-17.0	—	2.6	1.4	+ 0.8	
	November.....	69.6	56.2	+13.4	10.2	7.5	+ 2.7	+ 0.31	56.8	47.6	+ 9.2	—	2.2	1.1	+ 1.5	
	December.....	52.1	58.7	- 6.6	11.1	11.0	+ 0.1	+ 0.77	38.8	46.7	- 7.9	—	2.2	1.0	+ 1.2	
1937	TOTAL.....	506.6	511.4	- 4.8	105.7	85.6	+20.1	+ 1.58	376.4	412.7	-36.3	—	24.5	13.1	+11.4	
	January.....	59.2	65.1	- 5.9	13.0	8.8	+ 4.2	+ 0.87	42.9	54.8	-11.9	—	3.3	1.5	+ 1.8	
	February.....	66.1	56.2	+12.9	16.5	9.3	+ 7.2	+ 0.59	49.3	45.7	+ 3.6	+	3.3	1.2	+ 2.1	
	March.....	66.5	62.8	+ 3.7	15.1	10.5	+ 4.6	+ 0.32	48.4	50.6	- 2.2	+	3.0	1.7	+ 1.3	
	April.....	52.9	64.6	-11.7	11.1	10.5	- 0.6	+ 0.88	39.1	52.3	-13.2	—	2.7	1.8	+ 0.9	
	May.....	26.8	28.9	- 2.1	5.6	3.9	+ 1.7	+ 1.33	20.1	24.3	- 4.2	+	1.1	0.7	+ 0.4	
	June.....	26.6	28.9	- 2.3	6.3	5.8	+ 0.5	+ 1.47	18.6	22.5	- 3.9	+	1.1	0.6	+ 1.0	
	July.....	26.1	29.0	- 2.9	6.4	7.5	- 1.1	+ 1.33	20.1	24.3	- 4.2	+	1.7	0.7	+ 1.0	
	August.....	34.6	34.5	+ 0.1	5.7	6.1	- 0.4	+ 2.38	27.1	27.7	- 0.6	+	1.8	0.7	+ 1.1	
	September.....	37.0	34.3	+ 2.7	11.4	6.0	+ 5.4	+ 1.78	24.2	27.8	- 3.6	—	1.4	0.5	+ 0.9	
	October.....	36.0	41.3	- 5.3	7.1	6.0	+ 1.1	+ 1.80	27.2	34.2	- 7.0	—	1.7	1.1	+ 0.6	
	November.....	37.1	31.7	+ 5.4	4.0	6.3	- 2.3	+ 2.55	31.8	24.1	+ 7.7	—	1.3	1.3	.....
	December.....	34.7	34.1	+ 0.6	3.5	4.9	- 1.4	+ 2.71	29.7	27.9	+ 1.8	+	1.5	1.3	+ 0.2	
1938	TOTAL.....	369.2	340.3	+28.9	52.1	64.3	-12.2	+ 1.00	283.5	261.3	+22.2	—	33.6	14.7	+18.9	
	January.....	32.7	28.7	+ 4.0	4.4	4.1	- 2.1	+ 2.75	26.3	21.3	+ 5.0	+	2.0	0.9	+ 1.1	
	February.....	24.9	20.4	+ 4.5	4.1	4.1	.....	+ 3.08	18.9	15.2	+ 3.7	+	1.9	0.9	+ 0.8
	March.....	34.4	34.4	+ 0.0	5.1	5.1	.....	+ 2.71	27.5	27.2	.....	+	2.3	2.1	+ 0.2
	April.....	20.5	25.4	- 4.9	4.0	6.1	- 2.1	+ 2.87	15.0	18.6	- 3.6	+	1.5	0.7	+ 0.8	
	May.....	19.9	17.1	+ 2.8	2.5	3.4	- 0.9	+ 2.91	15.1	12.5	+ 2.6	+	1.4	0.8	+ 1.4	
	June.....	33.1	24.9	+ 8.2	3.0	4.3	- 1.3	+ 2.98	27.5	19.5	+ 8.0	+	2.3	0.9	+ 2.3	
	July.....	37.3	30.6	+ 6.7	6.8	5.7	+ 0.6	+ 1.54	27.6	23.0	+ 4.6	+	2.6	1.1	+ 1.5	
	August.....	29.9	25.1	+ 4.8	2.8	6.3	- 3.5	+ 0.62	23.1	17.9	+ 5.2	+	3.4	1.9	+ 1.5	
	September.....	31.1	23.5	+ 7.6	3.8	5.7	- 0.8	+ 0.68	24.8	19.4	+ 5.4	+	4.0	0.9	+ 3.1	
	October.....	36.8	37.0	- 0.2	6.6	5.8	+ 0.8	- 1.12	26.7	30.1	- 3.4	+	2.5	0.8	+ 1.7	
	November.....	37.6	35.6	+ 2.0	6.0	6.5	- 0.5	+ 2.58	26.8	29.3	- 2.5	+	3.5	1.1	+ 2.4	
	December.....	30.5	37.6	- 7.1	3.5	7.2	- 3.7	+ 3.35	24.2	29.3	- 5.1	+	4.8	1.1	+ 1.7	

TABLE 23.—ANALYSIS OF TRADE IN SECURITIES BETWEEN CANADA AND OTHER COUNTRIES, TWELVE MONTHS ENDING DECEMBER, 1937

Description	Total Sales \$	Total Purchases \$	United States		United Kingdom		Other Countries	
			Sales to \$	Purchases from \$	Sales to \$	Purchases from \$	Sales to \$	Purchases from \$
Bonds and Debentures, Total.	143,201,629	141,129,076	112,630,962	122,370,380	23,677,945	15,435,527	6,892,722	3,323,169
Canadian new issues.	8,858,747		4,648,908		4,154,077		55,762	
Canadian outstanding issues—								
Dominion.	35,330,308	23,966,143	31,963,798	22,448,352	1,509,062	855,883	1,857,448	661,908
Provincial.	8,393,147	16,811,099	7,888,150	16,093,664	419,911	600,581	85,086	116,854
Municipal.	3,744,321	7,660,603	3,161,862	6,578,763	572,329	1,054,335	10,130	27,505
Guaranteed by the Dominion.	8,643,361	6,973,306	7,116,051	5,478,251	1,167,034	1,333,677	360,276	161,378
Railway, Other.	6,461,701	4,226,136	5,194,844	2,836,202	1,076,324	1,289,916	190,533	100,018
Other Corporations.	21,975,634	29,165,777	9,833,242	20,571,876	8,989,344	7,006,432	3,155,448	1,587,469
United States new issues—								
Government.		5,866,032		5,864,945		1,087		4,700
Other.		1,421,197		1,410,494		6,003		
United States outstanding issues—								
Government.	17,038,585	7,699,628	17,026,886	7,698,213	5,145	1,415	6,554	
Other.	4,257,476	8,499,878	3,959,228	8,361,154	166,356	105,507	131,892	33,217
United Kingdom new issues—								
Government.		20,714		14,667		6,047		
Other.		23,800		23,800				
United Kingdom outstanding issues—								
Government.	3,505,740	410,747	20,640	56,026	3,439,209	302,421	45,891	52,300
Other.	551,947	928,411	65,068	28,907	405,479	879,904	81,400	19,600
Other Countries new issues.	5,544,909	1,245,555		1,123,677				
Other Countries outstanding issues.	18,883,353	3,772,576	4,082,964	3,213,978	713,972	443,791	747,973	114,807
Unspecified bonds and debentures.		22,437,474	17,669,321	20,567,411	1,059,703	1,426,650	164,329	443,413
COMMON AND PREFERENCE STOCKS—								
Canadian.	163,965,756	169,300,392	76,569,074	98,245,121	70,694,891	61,572,101	16,701,791	9,483,170
United States.	187,893,609	191,791,698	185,830,098	190,903,206	1,687,781	375,730	287,097	375,730
United Kingdom.	1,167,888	1,027,827	136,444	436,665	1,018,407	584,762	13,037	6,400
Other Countries.	1,634,072	621,812	601,994	564,824	12,616	48,979	19,462	8,009
Short-Term Securities (one year or less)	8,377,937	7,509,241	83,760	196,925	8,293,703	7,312,306	474	
Other Securities—								
Canadian.	1,018,428	22,192	282,356	18,285	289,937	3,547	446,135	360
United States.	244,041	4,110	208,141	4,110			35,900	
United Kingdom.								
Other Countries.	114,940	697	103,690				11,250	697
Grand Total.	506,618,300	511,407,045	376,446,519	412,739,526	105,675,280	85,558,617	24,496,501	13,108,902

TABLE 24.—ANALYSIS OF TRADE IN SECURITIES BETWEEN CANADA AND OTHER COUNTRIES, TWELVE MONTHS ENDING
DECEMBER, 1938

STATISTICAL TABLES

205

Description	Total Sales	Total Purchases	United States		United Kingdom		Other Countries	
	\$	\$	Sales to	Purchases from	Sales to	Purchases from	Sales to	Purchases from
Bonds and Debentures, Total.....	126,497,203	130,400,066	89,176,422	91,076,697	28,261,882	31,920,316	9,058,899	7,403,053
Canadian new issues.....	9,716,723		4,595,050		3,926,554		1,195,119	
Canadian outstanding issues—								
Dominion.....	31,183,566	23,322,675	23,371,971	18,318,689	5,698,624	3,979,106	2,112,971	1,024,880
Provincial.....	16,188,116	18,187,430	14,565,312	15,400,512	1,214,580	2,191,431	408,224	595,487
Municipal.....	8,488,881	14,882,538	4,778,678	10,083,941	3,260,597	4,710,947	449,606	87,650
Guaranteed by the Dominion.....	13,091,315	13,035,192	9,501,066	5,887,812	3,099,261	6,895,015	490,988	252,365
Railway, Other.....	6,186,658	6,956,556	3,120,768	4,571,712	2,741,580	1,839,861	324,310	544,983
Other Corporations.....	24,231,570	22,451,880	15,660,791	10,954,950	6,036,674	9,657,531	2,534,105	1,839,399
United States new issues—								
Government.....		3,812,521		3,812,521		5,401		400
Other.....		925,589		919,788				1,000
United States outstanding issues—								
Government.....	961,693	4,603,939	918,070	4,593,329	43,623	9,610		87,587
Other.....	3,697,815	4,745,275	3,629,299	4,613,894	19,408	43,794	49,108	
United Kingdom new issues—								
Government.....		1,000				1,000		
Other.....		141,609		29,234		112,375		
United Kingdom outstanding issues—								
Government.....	1,529,466	639,472	13,495	13,104	1,514,831	639,472	1,140	2,200
Other.....	116,579	711,208	66,202	4,617	48,377	695,904	2,000	1,399,458
Other Countries new issues.....	3,060,548	1,417,810	1,200,321	1,148,473	502,417	530,573	1,357,810	1,377,977
Other Countries outstanding issues.....	8,044,273	3,057,023	7,755,399	10,724,121	155,356	594,561	133,518	189,667
Unspecified bonds and debentures.....		11,508,349						
COMMON AND PREFERENCE STOCKS—								
Canadian.....	129,810,213	100,957,818	85,342,548	65,007,450	20,960,795	29,074,000	23,506,870	6,876,368
United States.....	108,310,993	105,196,047	106,882,867	104,462,950	442,041	306,629	986,085	426,468
United Kingdom.....	1,537,597	578,378	146,297	1,390,285	1,390,285	155,594	1,015	3,961
Other Countries.....	356,785	249,531	240,280	158,064	92,295	87,516	24,210	
Short-Term Securities (one year or less).....	2,289,739	2,754,111	1,498,447	4,111	791,292	2,750,000		
Other Securities—								
Canadian.....	310,747	113,228	104,728	65,457	187,017	19,990	19,002	27,781
United States.....	77,808	78,700	70,382	78,700			7,426	
United Kingdom.....	10,739	5,105			10,739	5,105		
Other Countries.....								
Grand Total.....	369,201,824	340,332,984	283,461,971	261,276,203	52,136,346	64,319,150	33,603,507	14,737,631

TABLE 25.—CANADIAN LIFE INSURANCE COMPANIES, LIABILITIES AND ASSETS OUTSIDE OF CANADA, 1926-1936

(In millions of dollars)

Year	Total Liabilities Outside of Canada	Total Assets Outside of Canada	British and Foreign Securities Held										Total Held Outside of Canada
			Total Held, by Nationality of Security				Held in Canada, by Nationality of Security						
			Total	United Kingdom	United States	Other Countries	Total	United Kingdom	United States	Other Countries			
1926.....	321.9	237.3	176.9	4.5	123.6	48.8	89.1	0.4	63.6	20.1	87.8		
1927.....	374.3	277.9	227.5	3.8	166.1	57.6	121.7	0.6	93.7	27.4	105.8		
1928.....	460.3	340.5	311.0	5.2	238.6	67.2	152.7	0.8	117.6	34.3	158.3		
1929.....	541.3	427.6	367.0	4.8	295.6	66.6	179.0	0.9	137.8	40.3	188.0		
1930.....	607.6	484.3	404.4	3.3	338.3	62.8	149.2	3.0	117.9	28.3	255.2		
1931.....	667.9	531.8	427.0	5.8	356.2	65.0	147.5	3.0	118.0	26.5	279.5		
1932.....	676.2	558.5	413.9	24.2	336.9	52.8	137.6	2.8	111.4	23.4	276.3		
1933.....	698.6	529.8	404.8	15.4	339.8	49.6	129.9	2.6	106.6	20.7	274.9		
1934.....	761.1	551.0	449.8	23.3	371.1	55.4	135.4	2.7	113.8	18.9	314.4		
1935.....	814.3	606.7	499.3	42.7	389.1	67.5	155.0	10.9	119.4	24.8	344.3		
1936.....	871.9	646.2	583.9	54.0	447.2	82.7	174.6	12.9	135.4	26.3	409.3		

TABLE 26.—CANADIAN LIFE INSURANCE COMPANIES—BRITISH AND FOREIGN SECURITIES HELD, BY NATIONALITY AND COUNTRY OF DEPOSIT, DECEMBER 31, 1935 AND 1936

Nationality of Security	Total British and Foreign Securities				Held in Canada				Held in United Kingdom			
	1935		1936		1935		1936		1935		1936	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Total.....	499,301,372	100.0	583,916,601	100.0	155,010,842	100.0	174,649,287	100.0	41,531,484	100.0	58,807,976	100.0
United Kingdom—Government.....	26,325,758	5.3	29,651,125	5.1	7,381,229	4.8	7,062,103	4.0	18,803,306	45.2	22,447,273	38.2
Municipal.....	14,635,851	2.9	22,383,726	3.8	2,157,143	1.4	4,044,263	2.3	12,478,708	30.0	18,339,463	31.2
Industrial.....	1,753,770	0.4	2,060,758	0.3	1,753,770	1.1	1,797,015	1.0	.....	.....	263,743	0.4
United States.....	389,109,537	77.9	447,046,458	76.6	118,622,907	76.6	135,361,127	77.5	21,168	0.1	320,323	0.6
Central America.....	1,250,604	0.3	1,403,337	0.2	1,248,095	0.8	1,070,970	0.6	.....	.....	.....	.....
South America.....	18,048,160	3.6	21,352,140	3.7	10,925,202	7.0	10,763,116	6.2	632,566	1.5	1,018,973	1.7
West Indies.....	3,905,655	0.8	2,856,037	0.5	1,800,874	1.2	1,132,223	0.7	116,333	0.3	113,915	0.2
Continental Europe.....	2,659,230	0.5	6,310,855	1.1	1,417,321	0.9	1,904,620	1.1	492,601	1.2	482,944	0.8
Australasia.....	5,212,968	1.0	6,607,930	1.1	2,831,669	1.8	2,613,233	1.5	191,672	0.5	461,372	0.8
Other British Possessions.....	19,132,349	3.8	27,996,361	4.8	3,540,200	2.3	6,166,739	3.5	7,216,483	17.4	14,578,961	24.8
Japan.....	14,066,532	2.9	13,184,138	2.3	1,420,037	0.9	1,196,872	0.7	909,165	2.2	217,248	0.4
China.....	1,554,525	0.3	1,841,431	0.3	344,559	0.2	393,003	0.2	669,482	1.6	537,459	0.9
Other Asia.....	1,646,433	0.3	1,222,305	0.2	1,567,836	1.0	1,144,003	0.7	.....	.....	26,302	.....
Nationality of Security	Held in United States				Held in Other Countries				Held in Other Countries			
	1935		1936		1935		1936		1935		1936	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Total.....	276,563,438	100.0	324,147,630	100.0	26,195,608	100.0	26,311,708	100.0	26,311,708	100.0	26,311,708	100.0
United Kingdom—Government.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Municipal.....	270,337,391	97.7	311,237,801	96.0	.....	.....	.....	.....	.....	.....	.....	.....
Industrial.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
United States.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Central America.....	1,174,542	0.4	3,644,555	1.1	.....	.....	.....	.....	.....	.....	.....	.....
South America.....	1,523,763	0.6	1,236,026	0.4	.....	.....	.....	.....	.....	.....	.....	.....
West Indies.....	555,359	0.2	3,832,221	1.2	.....	.....	.....	.....	.....	.....	.....	.....
Continental Europe.....	2,189,627	0.8	3,533,325	1.1	.....	.....	.....	.....	.....	.....	.....	.....
Australasia.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other British Possessions.....	729,970	0.3	611,702	0.2	.....	.....	.....	.....	.....	.....	.....	.....
Japan.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
China.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other Asia.....	52,786	.....	52,000	.....	.....	.....	.....	.....	.....	.....	.....	.....

TABLE 27.—CANADIAN LIFE INSURANCE COMPANIES

United States Securities Held, by Type of Security and Country of Deposit, December 31, 1936

Description	Total United States Securities	Held in Canada	Held in United Kingdom	Held in United States	Held in Other Countries
	\$	\$	\$	\$	\$
Bonds and Debentures—					
Governments—Federal.....	39,490,307	917,530		38,572,777	
State and Municipal....	14,338,762	2,626,459		11,585,096	127,207
Public Utilities (Exclusive of Railways)	98,956,304	14,884,949		84,071,355	
Railways.....	34,768,463	10,846,518	283,035	23,638,910	
Industrial and Other.....	9,842,504	1,827,708	37,288	7,977,508	
Preferred Stocks—					
Public Utilities (exclusive of Railways)	15,055,628	4,234,971		10,820,657	
Industrial and Other.....	10,288,735	4,192,333		6,096,402	
Common Stocks—					
Public Utilities (exclusive of Railways)	104,829,777	40,140,169		64,689,608	
Railways.....	2,286,457	1,912,454		374,003	
Industrial and Other.....	117,189,521	53,778,036		63,411,455	
Total.....	447,046,458	135,361,127	320,323	311,237,801	127,207

TABLE 28.—CANADIAN LIFE INSURANCE COMPANIES

Cash on Deposit Outside of Canada, December 31, 1926-1936

(In millions of dollars)

Locality of Deposit	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
Total Deposits outside of Canada.....	4.4	4.1	4.7	3.7	12.4	7.1	10.2	19.9	19.7	23.5	17.0
IN UNITED STATES.....	0.9	1.6	1.9	0.8	10.2	2.1	1.7	12.3	12.8	15.7	8.2
Branches of Canadian banks.....	0.5	0.7	0.4	0.3	6.3	1.4	1.8	9.8	4.9	9.6	2.6
American banks.....	0.4	0.9	1.5	0.5	3.9	0.7	(2)	2.5	7.9	6.1	5.6
IN UNITED KINGDOM.....	1.1	0.5	0.3	0.2	(1)	2.6	5.9	4.2	3.6	3.4	3.8
Branches of Canadian banks.....	0.1	(1)	(1)	(1)	0.1	0.2	0.8	0.6	0.4	0.7	0.3
British banks.....	1.0	0.5	0.3	0.2	(2)	2.4	5.1	3.6	3.2	2.7	3.5
IN OTHER COUNTRIES.....	2.4	2.0	2.5	2.7	2.2	2.4	2.6	3.4	3.3	4.4	5.0
Branches of Canadian banks.....	0.6	0.7	0.8	0.8	0.5	0.5	0.8	0.9	0.8	1.0	0.9
Other banking institutions.....	1.8	1.3	1.7	1.9	1.7	1.9	1.8	2.5	2.5	3.4	4.1

(1) Less than \$0.1 million.

(2) Overdraft.

TABLE 29.—CANADIAN LIFE INSURANCE COMPANIES

Total Transactions in British and Foreign Securities, 1926-1937

(In millions of dollars)

Nationality of Securities	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
UNITED KINGDOM—												
Acquired.....	(1)	.....	1.2	0.8	.....	2.8	37.6	6.6	10.4	31.4	37.6	35.0
Disposed of.....	(1)	0.2	0.3	0.5	.....	1.3	21.1	17.5	1.4	14.2	27.3	29.0
Net.....	(1)	- 0.2	+ 0.9	+ 0.3	.....	+ 1.5	+16.5	-10.9	+ 9.0	+17.2	+10.3	+ 6.0
UNITED STATES—												
Acquired.....	33.2	81.8	91.3	123.2	53.3	32.9	1.5	11.4	42.9	95.9	161.6	129.9
Disposed of.....	8.4	39.7	31.9	81.6	21.8	13.4	7.3	3.3	14.0	69.3	113.9	101.7
Net.....	+24.8	+42.1	+59.4	+41.6	+31.5	+19.5	- 5.8	+ 8.1	+28.9	+26.6	+47.7	+28.2
OTHER COUNTRIES—												
Acquired.....	10.1	11.0	19.4	12.6	7.2	4.8	2.0	4.8	18.0	25.3	32.0	23.9
Disposed of.....	3.9	3.9	10.2	12.0	9.2	3.7	5.7	6.6	8.8	12.7	13.5	26.2
Net.....	+ 6.2	+ 7.1	+ 9.2	+ 0.6	- 2.0	+ 1.1	- 3.7	- 1.8	+ 9.2	+12.6	+18.5	- 2.3
ALL COUNTRIES—												
Acquired.....	43.3	92.8	111.9	136.6	60.5	40.5	41.1	22.8	71.3	152.6	231.2	188.8
Disposed of.....	12.3	43.8	42.4	94.1	31.0	18.4	34.1	27.4	24.2	96.2	154.7	156.9
Net.....	+31.0	+49.0	+69.5	+42.5	+29.5	+22.1	+ 7.0	- 4.6	+47.1	+56.4	+76.5	+31.9

(1) Less than \$0.1 million.

TABLE 30.—CANADIAN LIFE INSURANCE COMPANIES

Estimated Purchases and Sales of British and Foreign Securities, 1926-1937

(In millions of dollars)

Nationality of Securities	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
UNITED KINGDOM—												
Purchases.....	.....	.....	1.2	.....	.....	2.8	37.6	6.6	10.4	31.4	37.5	35.0
Sales.....	.....	0.2	0.1	0.3	.....	1.3	21.1	17.5	1.3	9.7	27.3	29.0
Net Purchases or Sales.....	.....	- 0.2	+ 1.1	- 0.3	.....	+ 1.5	+16.5	-10.9	+ 9.1	+21.7	+10.2	+ 6.0
UNITED STATES—												
Purchases.....	29.3	78.8	84.6	62.0	45.6	30.7	1.5	11.4	42.9	96.0	161.6	128.3
Sales.....	6.6	36.7	27.0	30.6	19.1	12.6	7.2	3.3	12.7	64.8	104.2	96.5
Net Purchases or Sales.....	+22.7	+42.1	+57.6	+31.4	+26.5	+18.1	- 5.7	+ 8.1	+30.2	+31.2	+57.4	+31.8
OTHER COUNTRIES—												
Purchases.....	6.4	11.5	19.4	13.1	7.2	4.8	1.9	4.3	14.5	24.3	31.6	23.3
Sales.....	2.6	3.1	9.3	11.3	7.7	2.5	5.0	4.8	4.4	10.4	8.8	20.5
Net Purchases or Sales.....	+ 3.8	+ 8.4	+10.1	+ 1.8	- 0.5	+ 2.3	- 3.1	- 0.5	+10.1	+13.9	+22.8	+ 2.8
ALL COUNTRIES—												
Purchases.....	35.7	90.3	105.2	75.1	52.8	38.3	41.0	22.3	67.8	151.7	230.7	186.6
Sales.....	9.2	40.0	36.4	42.2	26.8	16.4	33.3	25.6	18.4	84.9	140.3	146.0
Net Purchases or Sales.....	+26.5	+50.3	+68.8	+32.9	+26.0	+21.9	+ 7.7	- 3.3	+49.4	+66.8	+90.4	+40.6

NOTE.—In this table all securities acquired through exercise of subscription rights, conversions, etc., have been excluded from purchases. Also, calls, redemptions and maturities have been left out of the sales. The net result is believed to approximate very closely actual transactions through brokers, dealers, underwriters, etc.

TABLE 31.—INTERNATIONAL INSURANCE TRANSACTIONS
Movements of Funds between Canada and Other Countries, n.o.p., 1926-1937

(In millions of dollars)

NOTE: Plus sign indicates net inflow of funds to Canada. Minus sign indicates net outflow of funds from Canada.

Between Canada and—	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
UNITED KINGDOM—												
Inflow from.....	1.9	3.1	3.5	7.5	7.6	5.9	6.4	14.5	12.8	4.0	1.8	9.0
Outflow to.....	4.8	7.8	7.3	3.8	4.8	2.9	2.3	4.0	2.5	13.4	8.0	9.2
Net movement.....	- 2.9	- 4.7	- 3.8	+ 3.7	+ 2.8	+ 3.0	+ 4.1	+ 10.5	+ 10.3	- 9.4	- 6.2	- 0.2
UNITED STATES—												
Inflow from.....	12.0	6.8	4.3	22.0	12.5	34.2	7.5	4.4	12.3	13.7	14.6	11.8
Outflow to.....	18.1	17.1	12.6	7.1	7.1	4.0	12.5	16.6	20.9	23.9	35.8	23.7
Net movement.....	- 6.1	- 10.3	- 8.3	+ 14.9	+ 5.4	+ 30.2	- 5.0	- 12.2	- 8.6	- 10.2	- 21.2	- 11.9
OTHER COUNTRIES—												
Inflow from.....	0.1	0.1	0.2	0.5	0.9	0.9	0.1	1.1	1.9	2.3	2.6	3.2
Outflow to.....	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.4	0.6	0.7	1.2	1.1
Net movement.....	.....	.....	+ 0.1	+ 0.4	+ 0.8	+ 0.8	- 0.1	+ 0.7	+ 1.3	+ 1.6	+ 1.4	+ 2.1
ALL COUNTRIES—												
Inflow from.....	14.0	10.0	8.0	30.0	21.0	41.0	14.0	20.0	27.0	20.0	19.0	24.0
Outflow to.....	23.0	25.0	20.0	11.0	12.0	7.0	15.0	21.0	24.0	38.0	45.0	34.0
Net movement.....	- 9.0	- 15.0	- 12.0	+ 19.0	+ 9.0	+ 34.0	- 1.0	- 1.0	+ 3.0	- 18.0	- 26.0	- 10.0

TABLE 32.—INTERNATIONAL INSURANCE TRANSACTIONS

Movements of Funds, n.o.p., between Canada and All Other Countries, by Groups of Companies, 1926-1937

(In millions of dollars)

Nationality of Companies—	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
CANADIAN COMPANIES—												
Inward.....	4.8	3.7	3.5	18.4	8.9	28.3	9.6	17.7	20.0	13.1	14.6	20.1
Outward.....	6.8	9.8	6.6	1.7	1.7	1.3	1.2	4.2	5.1	11.1	17.5	12.5
Net Inward.....	.....	.....	.....	16.7	7.2	27.0	8.4	13.5	14.9	2.0	.....	7.6
Net Outward.....	2.0	6.1	3.1	.....	.....	.....	.....	.....	.....	.....	2.9	.....
BRITISH, UNITED STATES AND OTHER COMPANIES—												
Inward.....	9.2	6.3	4.5	11.6	12.1	12.7	4.4	2.3	7.0	6.9	4.4	3.9
Outward.....	16.2	15.2	13.4	9.3	10.3	5.7	13.8	16.8	18.9	26.9	27.5	21.5
Net Inward.....	.....	.....	.....	2.3	1.8	7.0	.....	.....	.....	.....	.....	.....
Net Outward.....	7.0	8.9	8.9	.....	.....	.....	9.4	14.5	11.9	20.0	23.1	17.6
ALL COMPANIES—												
Inward.....	14.0	10.0	8.0	30.0	21.0	41.0	14.0	20.0	27.0	20.0	19.0	24.0
Outward.....	23.0	25.0	20.0	11.0	12.0	7.0	15.0	21.0	24.0	38.0	45.0	34.0
Net Inward.....	.....	.....	.....	19.0	9.0	34.0	.....	.....	3.0	.....	.....	.....
Net Outward.....	9.0	15.0	12.0	.....	.....	.....	1.0	1.0	.....	18.0	26.0	10.0

TABLE 33.—INTERNATIONAL INSURANCE TRANSACTIONS
Movements of Funds, n.o.p., between Canada and Other Countries, by Groups of Companies, 1926-1932
(In millions of dollars)

	1926			1927			1928			1929		
	All Companies	Canadian Companies	Other Companies	All Companies	Canadian Companies	Other Companies	All Companies	Canadian Companies	Other Companies	All Companies	Canadian Companies	Other Companies
Between Canada and												
United Kingdom—												
Inward from.....	1.9	0.1	1.8	3.1	1.0	2.1	3.5	0.4	3.1	7.5	3.0	4.5
Outward to.....	4.8	0.1	4.7	7.8	0.1	7.7	7.3	0.1	7.2	3.8	0.1	3.7
United States—												
Inward from.....	12.0	4.7	7.3	6.8	2.7	4.1	4.3	3.0	1.3	22.0	15.0	7.0
Outward to.....	18.1	6.7	11.4	17.1	9.7	7.4	12.6	6.5	6.1	7.1	1.6	5.5
Other Countries—												
Inward from.....	0.1	(1)	0.1	0.1	(1)	0.1	0.2	0.1	0.1	0.5	0.4	0.1
Outward to.....	0.1	(1)	0.1	0.1	(1)	0.1	0.1	(1)	0.1	0.1	(1)	0.1
All Countries—												
Inward from.....	14.0	4.8	9.2	10.0	3.7	6.3	8.0	3.5	4.5	30.0	18.4	11.6
Outward to.....	23.0	6.8	16.2	25.0	9.8	15.2	20.0	6.6	13.4	11.0	1.7	9.3
Net Inward.....												
Net Outward.....	9.0	2.0	7.0	15.0	6.1	8.9	12.0	3.1	8.9	19.0	16.7	2.3
Between Canada and												
United Kingdom—												
Inward from.....	7.6	4.7	2.9	4.7	2.9	1.8	5.9	3.9	2.0	6.4	5.2	1.2
Outward to.....	4.8	0.2	4.6	0.2	0.1	0.1	2.9	0.1	2.8	2.3	0.8	1.5
United States—												
Inward from.....	12.5	3.4	9.1	3.4	34.2	10.6	34.2	23.6	10.6	7.5	4.4	3.1
Outward to.....	7.1	1.4	5.7	4.0	4.0	2.9	4.0	1.1	2.9	12.5	0.3	12.2
Other Countries—												
Inward from.....	0.9	0.8	0.1	0.8	0.9	0.1	0.9	0.8	0.1	0.1	(1)	0.1
Outward to.....	0.1	0.1	(1)	0.1	0.1	(1)	0.1	0.1	(1)	0.2	0.1	0.1
All Countries—												
Inward from.....	21.0	8.9	12.1	8.9	41.0	12.7	41.0	28.3	12.7	14.0	9.6	4.4
Outward to.....	12.0	1.7	10.3	7.0	7.0	5.7	7.0	1.3	5.7	15.0	1.2	13.8
Net Inward.....												
Net Outward.....	9.0	7.2	1.8	34.0	27.0	7.0	34.0	27.0	7.0	1.0	8.4	9.4

(1) Less than 0.1.

TABLE 34.—INTERNATIONAL INSURANCE TRANSACTIONS

Movements of Funds, n.o.p., between Canada and Other Countries, by Class of Company, 1933
(In millions of dollars)

Between Canada and	All Companies	Canadian Life	Canadian Fire and Other	British Life	British Fire and Other	United States and Foreign Life	United States and Foreign Fire and Other
United Kingdom—							
Inward from.....	14.5	13.0	0.2	1.0	0.3		
Outward to.....	4.0	2.4	0.5	0.8	0.2	0.1	
United States—							
Inward from.....	4.4	3.1	0.3	0.1	0.1	0.5	0.3
Outward to.....	16.6	0.7	0.2	0.1	0.2	14.5	0.9
Other Countries—							
Inward from.....	1.1	1.1	(1)	(1)	(1)		(1)
Outward to.....	0.4	0.3	0.1	(1)	(1)		(1)
All Countries—							
Inward from.....	20.0	17.2	0.5	1.1	0.4	0.5	0.3
Outward to.....	21.0	3.4	0.8	0.9	0.4	14.6	0.9
Net Inward.....		13.8		0.2			
Net Outward.....	1.0		0.3			14.1	0.6

(1) Less than 0.1.

TABLE 35.—INTERNATIONAL INSURANCE TRANSACTIONS

Movements of Funds, n.o.p., between Canada and Other Countries, by Class of Company, 1934
(In millions of dollars)

Between Canada and	All Companies	Canadian Life	Canadian Fire and Other	British Life	British Fire and Other	United States and Foreign Life	United States and Foreign Fire and Other
United Kingdom—							
Inward from.....	12.8	8.9	0.3	3.3	0.3		(1)
Outward to.....	2.5	0.2	0.3	0.7	0.9	0.2	0.2
United States—							
Inward from.....	12.3	8.8	0.3	0.7	0.1	0.7	1.7
Outward to.....	20.9	3.8	0.3	0.1	0.2	13.6	2.9
Other Countries—							
Inward from.....	1.9	1.5	0.2		(1)		0.2
Outward to.....	0.6	0.4	0.1	(1)	(1)		0.1
All Countries—							
Inward from.....	27.0	19.2	0.8	4.0	0.4	0.7	1.9
Outward to.....	24.0	4.4	0.7	0.8	1.1	13.8	3.2
Net Inward.....	3.0	14.8	0.1	3.2			
Net Outward.....					0.7	13.1	1.3

(1) Less than 0.1.

TABLE 36.—INTERNATIONAL INSURANCE TRANSACTIONS

Movements of Funds, n.o.p., between Canada and Other Countries, by Class of Company, 1935
(In millions of dollars)

Between Canada and	All Companies	Canadian Life	Canadian Fire and Other	British Life	British Fire and Other	United States and Foreign Life	United States and Foreign Fire and Other
United Kingdom—							
Inward from.....	4.0	2.5	0.1	1.2	0.2		(1)
Outward to.....	13.4	5.5	0.4	5.6	1.5	0.2	0.2
United States—							
Inward from.....	13.7	8.0	0.4	3.1	0.1	0.3	1.8
Outward to.....	23.9	4.3	0.3	(1)	0.2	16.4	2.7
Other Countries—							
Inward from.....	2.3	2.0	0.1	(1)	(1)		0.2
Outward to.....	0.7	0.6	(1)	(1)	0.1		(1)
All Countries—							
Inward from.....	20.0	12.5	0.6	4.3	0.3	0.3	2.0
Outward to.....	38.0	10.4	0.7	5.6	1.8	16.6	2.9
Net Inward.....		2.1					
Net Outward.....	18.0		0.1	1.3	1.5	16.3	0.9

(1) Less than 0.1.

TABLE 37.—INTERNATIONAL INSURANCE TRANSACTIONS

Movements of Funds, n.o.p., between Canada and Other Countries, by Class of Company, 1936

(In millions of dollars)

Between Canada and	All Companies	Canadian Life	Canadian Fire and Other	British Life	British Fire and Other	United States and Foreign Life	United States and Foreign Fire and Other
United Kingdom—							
Inward from.....	1.8	1.0	0.1	0.4	0.2	.....	0.1
Outward to.....	8.0	3.3	0.5	2.2	1.7	0.2	0.1
United States—							
Inward from.....	14.6	10.6	0.5	1.1	0.1	(1)	2.3
Outward to.....	35.8	12.6	0.2	(1)	0.4	19.0	3.6
Other Countries—							
Inward from.....	2.6	2.0	0.4	(1)	(1)	(1)	0.2
Outward to.....	1.2	0.7	0.2	0.1	(1)	.....	0.2
All Countries—							
Inward from.....	19.0	13.6	1.0	1.5	0.3	.....	2.6
Outward to.....	45.0	16.6	0.9	2.3	2.1	19.2	3.9
Net Inward.....	.....	.....	0.1	.....	.....	.....	.....
Net Outward.....	26.0	3.0	.....	0.8	1.8	19.2	1.3

(1) Less than 0.1.

TABLE 38.—INTERNATIONAL INSURANCE TRANSACTIONS

Movements of Funds, n.o.p., between Canada and Other Countries, by Class of Company, 1937

(In millions of dollars)

Between Canada and	All Companies	Canadian Life	Canadian Fire and Other	British Life	British Fire and Other	United States and Foreign Life	United States and Foreign Fire and Other
United Kingdom—							
Inward from.....	9.0	8.0	0.1	0.6	0.3	.....	(1)
Outward to.....	9.2	5.4	0.5	1.0	2.1	0.2	(1)
United States—							
Inward from.....	11.8	8.2	0.9	0.9	.....	0.2	1.6
Outward to.....	23.7	5.2	0.5	(1)	0.1	13.2	4.7
Other Countries—							
Inward from.....	3.2	2.8	0.2	(1)	(1)	.....	0.2
Outward to.....	1.1	0.8	0.1	0.2	(1)	.....	(1)
All Countries—							
Inward from.....	24.0	19.0	1.2	1.5	0.3	0.2	1.8
Outward to.....	34.0	11.4	1.1	1.2	2.2	13.4	4.7
Net Inward.....	.....	7.6	0.1	0.3	.....	.....	.....
Net Outward.....	10.0	.....	.....	.....	1.9	13.2	2.9

(1) Less than 0.1.

TABLE 29.—BALANCING ITEMS OF CURRENT AND CAPITAL ACCOUNTS BETWEEN CANADA AND THE UNITED KINGDOM,
THE UNITED STATES AND OTHER COUNTRIES, 1926-1937

Net Receipts or Credits (+); Net Payments or Debits (—)

(In millions of dollars)

Year	Balancing Item of Current Account between Canada and				Balancing Item of Capital Account between Canada and				Total Net Current and Capital Trans- actions between Canada and			
	All Countries	United Kingdom	United States	Other Countries	All Countries	United Kingdom	United States	Other Countries	All Countries (Residual Item)	United Kingdom	United States	Other Countries
1926.....	+180.6	+182.9	-172.0	+169.7	(1) 4.2	(1) -15.9	(1) +64.8	(1) -53.1	(1) +51.7	(1) +76.3	(1) -112.9	(1) +88.3
1927.....	+55.9	+32.2	-177.7	+141.4	-82.0	-40.2	+3.5	-45.3	+44.2	+85.4	-209.1	+167.9
1928.....	+126.2	+125.6	-212.6	+213.2	+167.9	-11.2	+191.7	-12.6	-27.9	-73.4	-109.4	+154.9
1929.....	-195.8	-62.2	-301.1	+167.5								
1930.....	-286.5	-73.3	-282.6	+69.4	+315.3	-30.3	+336.8	+8.8	+28.8	-103.6	+54.2	+78.2
1931.....	-76.5	-44.6	-89.1	+57.2	+35.7	-12.6	+56.4	+8.1	-40.8	-57.2	-32.7	+49.1
1932.....	-20.3	+0.7	-87.2	+66.2	-11.4	-30.3	+3.9	+18.0	-31.7	-29.6	-83.3	+81.2
1933.....	+21.6	+97.5	-147.4	+71.5	-32.4	+94.0	-115.9	-10.5	-10.8	+191.5	-263.3	+61.0
1934.....	+74.8	+93.2	-93.5	+75.1	-115.8	+98.9	-213.0	-1.7	-41.0	+192.1	-306.5	+73.4
1935.....	+176.9	+113.9	+0.3	+62.7	-173.5	-44.1	-139.9	+10.5	+3.4	+69.8	-139.6	+73.2
1936.....	+308.5	+228.7	-10.7	+90.5	-253.7	-28.8	-226.2	+1.3	+54.8	+199.9	-236.9	+91.8
1937.....	+218.2	+176.8	-55.3	+96.7	-198.8	-24.3	-184.9	+10.4	+19.4	+152.5	-240.2	+107.1

(1) Not available.

TABLE 40.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1936
(In millions of dollars)

Transactions Between Canada and—												
Description	All Countries			United Kingdom			United States			Other Countries		
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)
1. Commodity Trade—												
Recorded merchandise exports	1,285.7	1,008.3		460.5	164.7		479.6	668.7		345.6	174.9	
and imports.....		2.5										
Unrecorded imports of ships.....												
2. Deductions for settlers' effects	1,285.7	1,010.8		460.5	167.2		479.6	668.7		345.6	174.9	
and other non-commercial												
items.....	12.3	21.8		2.3	2.0		9.1	18.3		0.9	1.5	
3. Deductions of gold items in-	1,273.4	989.0		458.2	165.2		470.5	650.4		344.7	173.4	
cluded above, and addition of												
silver and other coin.....	7.3	1.5					7.3	1.5				
4. Corrected total of commodity												
trade.....	1,266.1	990.5	+275.6	458.2	165.2	+293.0	463.2	651.9	-188.7	344.7	173.4	+171.3
5. Gold Exports and Imports.....	77.1	45.6	+31.5				77.1	45.6	+31.5			
6. Freight Receipts and Payments,	96.4	105.9	-9.5	15.1	8.4	+6.7	63.9	85.2	-21.3	17.4	12.3	+5.1
n.o.p.....	201.2	98.7	+102.5	8.0	21.5	-13.5	188.9	69.3	+119.6	4.3	7.9	-3.6
7. Tourist Expenditures	30.5	240.0	-209.5	0.3	97.0	-96.7	12.3	138.4	-126.1	17.9	4.6	+13.3
and Receipts.....	15.6	31.0	-15.4	1.1	5.3	-4.2	13.8	12.9	+0.9	0.7	12.8	-12.1
8. Immigrants' Remittances	11.9	10.9	+1.0	5.5	6.0	-0.5	4.9	3.7	+1.2	1.5	1.2	+0.3
and Government Expenditures and												
Receipts.....												
9. Charitable and Missionary Con-												
tributions.....	1.0	2.5	-1.5	0.1	0.1		0.8	0.1	+0.7	0.1	2.3	-2.2
10. Advertising Transactions.....	3.1	4.5	-1.4	0.3	1.2	-0.9	2.8	3.2	-0.4		0.1	-0.1
11. Motion Picture Royalties, etc.			-3.5		0.1	-0.1		3.4	-3.4			
12. Capital of Immigrants and Emi-												
grants.....	14.9	16.0	-1.1	2.3	1.2	+1.1	11.0	12.9	-1.9	1.6	1.9	-0.3
13. Earnings of Canadian Residents												
Employed in U.S.A. and of U.S.												
Residents Employed in Canada	20.9	3.6	+17.3				20.9	3.6	+17.3			
14. Net Payments for Entertain-												
ment Services, Royalties, etc.,												
not included above.....		10.0	-10.0		2.0	-2.0		6.0	-6.0		2.0	-2.0

A. Current Account of Goods, Gold and Services

14 Exports and Imports of Electric Energy ⁽¹⁾	4.6	+ 4.6	.....	.....	.....	4.6	.....	+ 4.6	.....	.....	.....
15. Total Credits and Debits as Above.....	1,743.3	+1562.7	490.9	308.0	+182.9	864.2	1,036.2	-172.0	388.2	218.5	+169.7
16. Balancing Item—Differences Between Credits and Debits Above.....	.....	180.6	.....	182.9	.....	172.0	.....	.....	.....	169.7	.....
	1,743.3	1,743.3	490.9	490.9	.....	1,036.2	1,036.2	.....	388.2	388.2	.....

⁽¹⁾ Included with Commodity Trade since 1928.

B. Capital Account

Not Available for 1926

TABLE 41.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1927

(In millions of dollars)

Transactions Between Canada and—												
Description	All Countries			United Kingdom			United States			Other Countries		
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)
A. Current Account of Goods, Gold and Services												
1. Commodity Trade—												
Recorded merchandise exports	1,241.3	1,087.1	.....	411.6	182.1	.....	493.9	707.2	.....	335.8	197.8	.....
and imports.....		17.0	.....		17.0	.....			.....			.....
Unrecorded imports of ships .....			.....			.....			.....			.....
	1,241.3	1,104.1	.....	411.6	199.1	.....	493.9	707.2	.....	335.8	197.8	.....
Deductions for settlers' effects			.....			.....			.....			.....
and other non-commercial		22.5	.....	2.2	2.7	.....	7.7	19.2	.....	1.1	0.6	.....
items.....	11.0		.....			.....			.....			.....
	1,230.3	1,081.6	.....	409.4	196.4	.....	486.2	688.0	.....	334.7	197.2	.....
Deductions of gold items in-	7.9	1.9	.....			.....	7.9	1.9	.....			.....
cluded above, and addition of			.....			.....			.....			.....
silver and other coin.....			.....			.....			.....			.....
Corrected total of commodity	1,222.4	1,083.5	+138.9	409.4	196.4	+213.0	478.3	689.9	-211.6	334.7	197.2	+137.5
trade.....	54.9	29.4	+ 25.5				54.9	29.4	+ 25.5			
2. Gold Exports and Imports.....			.....			.....			.....			.....
3. Freight Receipts and Payments,	96.8	109.0	- 12.2	10.1	11.3	- 1.2	88.8	83.5	- 14.7	17.9	14.2	+ 3.7
n.o.p.....	238.5	108.7	+129.8	9.4	20.4	- 11.0	224.0	80.8	+143.2	5.1	7.5	- 2.4
4. Tourist Expenditures.....			.....			.....			.....			.....
5. Interest and Dividend Payments	39.2	257.3	-218.1	0.3	101.0	-100.7	16.3	151.2	-134.9	22.6	5.1	+17.5
and Receipts.....	15.4	32.0	- 16.6	1.1	5.8	- 4.7	13.7	14.1	- 0.4	0.6	12.1	-11.5
6. Immigrants' Remittances .....			.....			.....			.....			.....
7. Government Expenditures and	11.8	11.7	+ 0.1	5.4	6.4	- 1.0	4.9	4.1	+ 0.8	1.5	1.2	+ 0.3
Receipts.....			.....			.....			.....			.....
8. Charitable and Missionary Con-	1.0	2.4	- 1.4	0.1	0.1	.....	0.8	0.1	+ 0.7	0.1	2.2	- 2.1
tributions.....	4.5	4.8	- 0.3	0.4	1.4	- 1.0	4.0	3.3	+ 0.7	0.1	0.1	.....
9. Advertising Transactions.....			.....			.....			.....			.....
10. Motion Picture Royalties, etc.....			.....			.....			.....			.....
11. Capital of Immigrants and Emi-	14.5	13.8	+ 0.7	2.5	1.6	+ 0.9	10.1	10.7	- 0.6	1.9	1.5	+ 0.4
grants.....			.....			.....			.....			.....
12. Earnings of Canadian Residents			.....			.....			.....			.....
Employed in U.S.A. and of U.S.			.....			.....			.....			.....
Residents Employed in Canada	22.8	3.6	+ 19.2			.....	22.8	3.6	+ 19.2			.....
13. Net Payments for Entertainment			.....			.....			.....			.....
Services, Royalties etc., not			.....			.....			.....			.....
included above.....		11.0	- 11.0		2.0	- 2.0		7.0	- 7.0		2.0	- 2.0

[illegible]

B. Capital Account

[illegible]

(1) Included with Commodity Trade since 1928.

TABLE 42.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1928

(In millions of dollars)

Description	Transactions Between Canada and—													
	All Countries				United Kingdom				United States				Other Countries	
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)		
A. Current Account of Goods, Gold and Services														
1. Commodity Trade—														
Recorded merchandise exports	1,376.8	1,222.3		447.9	190.7		515.6	825.7		413.3	205.9			
and imports	115.5	21.2			21.2									
Unrecorded imports of ships														
	1,376.8	1,243.5		447.9	211.9		515.6	825.7		413.3	205.9			
Deductions for settlers' effects														
and other non-commercial														
items	10.9	21.4		2.4	2.2		7.3	18.5		1.2	0.7			
Deductions of gold items in-	1,365.9	1,222.1		445.5	209.7		508.3	807.2		412.1	205.2			
cluded above, and addition of														
silver and other coin	10.5	2.3					10.5	2.3						
Corrected total of commodity	1,355.4	1,224.4	+131.0	445.5	209.7	+235.8	497.8	809.5	-211.7	412.1	205.2		+206.9	
trade	115.5	26.3	+ 89.2	4.8		+ 4.8	110.7	26.3	+ 84.4					
2. Gold Exports and Imports	95.9	115.3	- 19.4	11.5	10.0	+ 1.5	67.8	91.5	- 23.7	16.6	13.8		+ 2.8	
3. Freight Receipts and Payments,	275.2	107.5	+167.7	8.9	18.8	- 9.9	261.5	81.8	+179.7	4.8	6.9		- 2.1	
n.o.p.														
4. Tourist Expenditures	47.4	273.9	-226.5	0.5	99.6	- 99.1	20.3	168.6	-148.3	26.6	5.7		+ 20.9	
5. Interest and Dividend Payments	14.4	33.0	- 18.6	1.0	6.0	- 5.0	12.8	14.6	- 1.8	0.6	12.4		- 11.8	
6. Immigrants' Remittances														
7. Government Expenditures and														
Receipts	11.8	11.0	+ 0.8	5.4	5.7	- 0.3	4.9	4.1	+ 0.8	1.5	1.2		+ 0.3	
8. Charitable and Missionary Con-														
tributions	1.5	2.5	- 1.0	0.2	0.1	+ 0.1	1.2	0.1	+ 1.1	0.1	2.3		+ 2.2	
9. Advertising Transactions	3.8	5.0	- 1.2	0.3	1.5	- 1.2	3.5	3.4	+ 0.1		0.1		- 0.1	
10. Motion Picture Royalties, etc.		3.7	- 3.7		0.1	- 0.1		3.6	- 3.6					
11. Capital Expenditures and														
Emigrants' Remittances														
and Immigrants' Receipts	14.8	12.2	+ 2.6	2.8	1.8	+ 1.0	10.0	8.9	+ 1.1	2.0	1.5		+ 0.5	
12. Earnings of Canadian Residents														
Employed in U.S.A. and of U.S.														
Residents Employed in Canada	20.9	3.6	+ 17.3				20.9	3.6	+ 17.3					

	12-0	- 12-0	2-0	- 2-0	8-0	- 8-0	2-0	- 2-0
13. Net Payments for Entertainment Services, Royalties, etc., not included above.....								
14. Total Credits and Debits as Above.....	1,956-6	+126-2	480-9	355-3	+125-6	1,011-4	464-3	251-1
15. Balancing Item—Differences between Credits and Debits Above.....				125-6		212-6		213-2
	1,956-6		480-9	480-9		1,224-0	464-3	464-3

B. Capital Account

[illegible]

TABLE 43.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1929

(In millions of dollars)

Description	Transactions Between Canada and—										
	All Countries			United Kingdom			United States			Other Countries	
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible
A. Current Account of Goods, Gold and Services											
1. Commodity Trade—											
Recorded merchandise exports	1,211.0	1,299.0		291.9	194.8		547.8	893.6		371.3	210.6
and imports		23.6			23.6						
Unrecorded imports of ships	1,211.0	1,322.6		291.9	218.4		547.8	893.6		371.3	210.6
	11.7	24.6		2.5	2.5		7.9	21.3		1.3	0.8
Deductions for settlers' effects											
and other non-commercial											
items	1,199.3	1,298.0		289.4	215.9		539.9	872.3		370.0	209.8
	30.0	2.6					30.0	2.6			
Deductions of gold items in-											
cluded above, and addition of											
silver and other coin	1,169.3	1,300.6	-131.3	289.4	215.9	+73.5	509.9	874.9	-365.0	370.0	209.8
	75.6	1.1	+74.5				75.6	1.1	+74.5		
Corrected total of commodity											
trade	1,169.3	1,300.6	-131.3	289.4	215.9	+73.5	509.9	874.9	-365.0	370.0	209.8
2. Gold Exports and Imports											
3. Freight Receipts and Payments,											
n.o.p.	91.3	130.4	-39.1	7.9	12.4	-4.5	67.8	102.8	-35.0	15.6	15.2
4. Tourist Expenditures	309.4	121.6	+187.8	9.0	19.9	-10.9	295.6	94.4	+201.2	4.8	7.3
5. Interest and Dividend Payments											
and Receipts	61.7	321.8	-260.1	0.4	112.9	-112.5	29.5	202.3	-172.8	31.8	6.6
6. Immigrants' Remittances	14.0	33.0	-19.0	1.0	6.1	-5.1	12.5	14.7	-2.2	0.5	12.2
7. Government Expenditures and											
Receipts	11.7	11.3	+0.4	5.3	6.2	-0.9	4.9	4.0	+0.9	1.5	1.1
8. Charitable and Missionary Con-											
tributions	1.0	2.5	-1.5	0.1	0.1						
9. Advertising Transactions	4.0	3.3	-0.7	0.4	1.5	-1.1	0.8	0.1	+0.7	0.1	2.3
10. Motion Picture Royalties, etc.											
11. Capital of Immigrants and Emi-											
grants	14.1	12.3	+1.8	3.1	0.1	-0.1	3.6	3.6	-3.6	0.1	0.1
12. Earnings of Canadian Residents											
Employed in U.S.A. and of U.S.											
Residents Employed in Canada	14.5	3.8	+10.7		1.2	+1.9	9.2	9.6	-0.4	1.8	1.5
							14.5	3.8	+10.7		+0.3

	15-0	— 15-0	2-5	— 2-5	10-0	— 10-0	2-5	— 2-5
13. Net Payments for Entertainment Services, Royalties, etc., not included above.....								
14. Total Credits and Debits as above.....	1,766.6	1,962.4	316.6	378.8	1,023.9	301.1	426.1	258.6
15. Balancing Item—Differences between Credits and Debits Above.....	195.8		62.2					
	1,962.4	1,962.4	378.8	378.8	1,325.0		426.1	426.1

B. Capital Account

[illegible]

TABLE 44.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1930

(In millions of dollars)

Description	Transactions Between Canada and—											
	All Countries				United Kingdom				United States			
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits (+) Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits (+) Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)
A. Current Account of Goods, Gold and Services												
1. Commodity Trade—												
Recorded merchandise exports and imports.....	907.9	1,003.5 10.5			122.6 10.5		414.6	633.7		256.8	192.2	
Unrecorded imports of ships.....												
	907.9	1,019.0			173.1		414.6	633.7		256.8	192.2	
Deductions for settlers' effects and other non-commercial items.....	11.0	23.8			2.0		7.2	21.3		1.3	0.5	
	896.9	995.2			171.1		407.4	632.4		255.5	191.7	
Deductions of gold items included above, and addition of silver and other coin.....	22.3	1.5					22.3	1.5				
Corrected total of commodity trade.....	874.6	996.7	-122.1 +		171.1	+ 62.9	385.1	633.9	- 248.8 +	255.5	191.7	+ 63.8
2. Gold Exports and Imports.....	40.3	37.6	+ 2.7				40.3	37.6	+ 2.7			
3. Freight Receipts and Payments, n.o.p.....	70.3	102.5	- 32.2		12.3	- 5.6	52.2	79.6	- 27.4	11.4	10.6	0.8
4. Tourist Expenditures.....	279.2	100.4	+ 178.8		18.6	- 10.2	266.3	74.9	+191.4	4.5	6.9	- 2.4
5. Interest and Dividend Payments and Receipts.....	59.5	348.1	-288.6		115.4	-115.0	27.5	224.9	-197.4	31.6	7.8	23.8
6. Immigrants' Remittances and Government Expenditures and Receipts.....	13.2	30.0	- 16.8		3.1	- 2.0	10.9	12.8	- 1.9	1.2	14.1	- 12.9
7. Charitable and Missionary Contributions.....	11.7	10.4	+ 1.3		5.7	- 0.4	4.9	3.6	+ 1.3	1.5	1.1	+ 0.4
8. Advertising Transactions.....	1.0	2.5	- 1.5		0.1		0.8	0.1	+ 0.7	0.1	2.3	- 2.2
9. Motion Picture Royalties, etc.....	4.0	3.7	- 0.3		1.5	- 1.1	3.6	3.7	- 0.1		0.1	- 0.1
10. Capital of Immigrants and Emigrants.....					0.1	- 0.1		3.6	- 3.6			
11. Earnings of Canadian Residents Employed in U.S.A. and of U.S. Residents Employed in Canada.....	11.1	8.9	+ 2.2		1.6	+ 0.2	8.1	6.3	+ 1.8	1.2	1.0	+ 0.2
	10.3	3.6	+ 6.7				10.3	3.6	+ 6.7			

	12-0	- 12-0	2-0	- 2-0	8-0	- 8-0	2-0	- 2-0
13. Net Payments for Entertainment Services, Royalties, etc., not included above.....								
14. Total Credits and Debits as Above.....	1,375.2	1,661.7	255.2	331.5	810.0	1,092.6	237.6	+ 69.4
15. Balancing Item—Differences between Credits and Debits Above.....	286.5		73.3		282.6		69.4	
	1,661.7	1,661.7	331.5	331.5	1,092.6	1,092.6	307.0	

B. Capital Account

[illegible]

TABLE 45.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1931
(In millions of dollars)

Transactions Between Canada and—												
Description	All Countries			United Kingdom			United States			Other Countries		
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)
A. Current Account of Goods, Gold and Services												
1. Commodity Trade—												
Recorded merchandise exports	620.7	628.1		172.5	109.5		270.1	333.8		178.1	124.8	
and imports		2.7			2.7							
Unrecorded imports of ships												
	620.7	630.8		172.5	112.2		270.1	333.8		178.1	124.8	
Deductions for settlers' effects												
and other non-commercial	9.3	16.8		2.8	1.4		5.2	14.8		1.3	0.6	
items												
	611.4	614.0		169.7	110.8		264.9	379.0		176.8	124.2	
Correction for overvaluation					4.5						0.5	
and undervaluation		5.0										
	611.4	609.0		169.7	106.3		264.9	379.0		176.8	123.7	
Deductions of gold items in-												
cluded above, and addition of	17.7	2.1					17.7	2.1				
silver and other coin												
	593.7	611.1		169.7	106.3		247.2	381.1		176.8	123.7	
Corrected total of commodity	90.1		- 17.4 + 90.1	0.9		+ 63.4 + 0.9	88.8		- 133.9 + 88.8	0.4		+ 53.1 + 0.4
2. Gold Exports and Imports,												
3. Freight Receipts and Payments,	54.1	78.7	- 24.6	7.8	8.6	- 0.8	38.2	61.2	- 23.0	7.3	8.9	- 1.6
n.o.p.	250.8	76.4	+ 174.4		14.2		238.8	56.9	+ 181.9	4.2	5.3	- 1.1
4. Tourist Expenditures												
5. Interest and Dividend Payments			- 279.8	0.3	102.2	- 101.9	22.7	221.1	- 193.4	27.3	6.8	+ 20.5
and Receipts	50.3	330.1	- 9.9	0.9	3.1	- 2.2	8.2	7.8	+ 0.4	1.0	9.1	- 8.1
6. Immigrants' Remittances	10.1	20.0										
7. Government Expenditures and			+ 0.7	5.3	4.4	+ 0.9	4.9	3.6	+ 1.3	1.5	3.0	- 1.5
Receipts	11.7	11.0										
8. Charitable and Missionary Con-			- 1.5	0.1	0.1		0.8	0.1	+ 0.7	0.1	2.3	- 2.2
tributions	1.0	2.5	- 0.2	0.1	0.4	- 0.3	2.3	2.1	+ 0.2		0.1	- 0.1
9. Advertising Transactions	2.4	3.7	- 3.7		0.2	- 0.2		3.5	- 3.5			
10. Motion Picture Royalties, etc.												
11. Capital of Immigrants and												
Emigrants	5.2	3.5	+ 1.7	0.4	1.7	- 1.3	4.7	1.5	+ 3.2	0.1	0.3	- 0.2
12. Earnings of Canadian Residents												
Employed in U.S.A. and of U.S.												
Residents Employed in Canada	6.0	2.8	+ 3.2				6.0	2.8	+ 3.2			

[illegible]

TABLE 46.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1932

(In millions of dollars)

Description	Transactions Between Canada and—									
	All Countries					United Kingdom				
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Other Countries
A. Current Account of Goods, Gold and Services										
1. Commodity Trade— Recorded merchandise exports and imports.....	502.8	452.6 1.0		179.1	93.5 1.0		169.9	263.5		153.8 95.6
Unrecorded imports of ships.....	502.8	453.6		179.1	94.5		169.9	263.5		153.8 95.6
Deductions for settlers' effects and other non-commercial items.....	6.5	14.0		2.1	1.3		3.4	12.3		1.0 0.4
Correction for overvaluation and undervaluation.....	496.3	439.6		177.0	93.2		166.5	251.2		152.8 95.2
Deductions of gold items in- cluded above, and addition of silver and other coin.....	496.3	417.6		177.0	19.0		166.5	251.2		152.8 92.2
Corrected total of commodity trade.....	3.9	1.1					3.9	1.1		
2. Gold Exports and Imports.....	492.4	418.7	+ 73.7 + 73.1	177.0	74.2	+102.8	162.6 71.3	252.3	- 89.7 + 71.3	152.8 1.8
3. Freight Receipts and Payments.....	38.0	65.9	- 27.9	5.2	10.7	- 5.5	24.9	48.1	- 23.2	7.9
4. Tourist Expenditures.....	212.4	57.4	+155.0	6.8	14.1	- 7.3	201.9	38.1	+163.8	3.7
5. Interest and Dividend Payments.....	39.4	301.2	-261.8	0.3	91.0	- 90.7	16.2	204.5	-188.3	22.9
6. Immigrants' Remittances.....	6.1	15.0	- 8.9	0.8	2.1	- 1.3	4.7	3.5	+ 1.2	0.6
7. Government Expenditures and Receipts.....	8.8	10.4	- 1.6	3.2	4.5	- 1.3	4.3	3.9	+ 0.4	1.3
8. Charitable and Missionary Con- tributions.....	1.2	1.5	- 0.3	0.1	0.1	- 0.3	1.0	0.1	+ 0.9	0.1
9. Advertising Transactions.....	1.7	1.7		0.1	0.4	- 0.3	1.6	1.2	+ 0.4	0.1
10. Motion Picture Royalties, etc.....		3.2	- 3.2		0.3	- 0.3		2.8	- 2.8	0.1
11. Capital of Immigrants and Emi- grants.....	4.4	3.4	+ 1.0	0.2	2.1	- 1.9	4.2	1.0	+ 3.2	0.3
12. Earnings of Canadian Residents Employed in U.S.A. and of U.S. Residents Employed in Canada.....	3.7	1.4	+ 2.3				3.7	1.4	+ 2.3	

13. Net Payments for Entertainment Services, Royalties, etc., not included above.....	8.0	— 8.0	.....	1.5	— 1.5	.....
14. Exchange, London and New York, on Interest and Retirement.....	10.0	23.7	8.0	.....	— 21.7	.....
15. Total Credits and Debits as Above.....	891.2	911.5	201.7	.....	— 87.2	124.9
16. Balancing Item—Differences between Credits and Debits Above.....	20.3	.....	.....	498.4	585.6	191.1
				87.2	66.2	.....
	911.5	911.5	201.7	585.6	585.6	191.1

B. Capital Account

[illegible]

TABLE 47.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1933
(In millions of dollars)

Description	Transactions Between Canada and—											
	All Countries			United Kingdom			United States			Other Countries		
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)
1. Commodity Trade— Recorded merchandise exports and imports..... Unrecorded imports of ships..... Deductions for settlers' effects and other non-commercial items..... Correction for overvaluation and undervaluation..... Deductions of gold items in- cluded above, and addition of silver and other coin..... Corrected total of commodity trade..... 2. Gold Exports and Imports..... 3. Freight Receipts and Payments, n.o.p..... 4. Tourist Expenditures..... 5. Interest and Dividend Payments and Receipts..... 6. Immigrants' Remittances..... 7. Government Expenditures and Receipts..... 8. Charitable and Missionary Con- tributions..... 9. Advertising Transactions..... 10. Motion Picture Royalties, etc..... 11. Capital of Immigrants and Emigrants..... 12. Earnings of Canadian Residents Employed in U.S.A. and of U.S. Residents Employed in Canada.....	538-1	401-2 0-3	.....	211-3	97-9 0-3	.....	175-6	217-3	.....	151-2	86-0	.....
	538-1	401-5	.....	211-3	98-2	.....	175-6	217-3	.....	151-2	86-0	.....
	3-5	9-7	.....	0-4	1-1	.....	2-8	8-2	.....	0-3	0-4	.....
	534-6	391-8	.....	210-9	97-1	.....	172-8	209-1	.....	150-9	85-6	.....
	534-6	384-8	.....	210-9	91-3	.....	172-8	209-1	.....	150-9	84-4	.....
	2-3	0-9	.....	.....	.....	.....	2-3	0-9	.....	.....	.....	.....
	532-3 87-8	385-7	+146-6 + 87-8	210-9 63-3	91-3	+119-6 + 63-3	170-5 24-5	210-0	- 39-5 + 24-5	150-9	84-4	+ 66-5
	43-7 117-1	65-8 50-9	- 22-1 + 66-2	7-7 5-0	11-9 10-2	- 4-2 - 5-2	28-4 109-4	45-4 36-9	- 17-0 + 72-5	7-6 2-7	8-5 3-8	- 0-9 - 1-1
	39-0 5-3	263-3 14-0	-224-3 - 8-7	0-3 0-9	72-1 1-7	- 71-8 - 0-8	15-2 3-8	187-6 2-7	-172-4 + 1-1	23-5 0-6	3-6 9-6	+ 19-9 - 9-0
	6-0	10-0	- 4-0	3-1	4-9	- 1-8	1-5	3-6	- 2-1	1-4	1-5	- 0-1
2-2	2-0	+ 0-2	0-2	0-3	- 0-1	1-8	0-1	+ 1-7	0-2	1-6	- 1-4	
2-0	1-6	+ 0-1	0-2	0-6	- 0-4	1-7	1-2	+ 0-5	0-1	0-1	- 0-2	
1-1	3-0	- 3-0	.....	0-5	- 0-5	.....	2-3	- 2-3	.....	.....	.....
2-6	3-2	- 0-6	0-1	1-7	- 1-6	2-4	1-2	+ 1-2	0-1	0-3	- 0-2	
3-1	0-7	+ 2-4	.....	.....	.....	3-1	0-7	+ 2-4	.....	.....	.....

13. Net Payments for Entertainment Services, Royalties, etc., not included above.....	10-0	- 10-0	.....	2-0	- 2-0	.....	2-0	- 2-0	.....
14. Exchange, London and New York, on Interest and Retirements.....	3-0	- 9-0	3-0	.....	.....	.....	.....	.....	.....
15. Total Credits and Debits as Above.....	844.1	822.5	294.7	197.2	+ 97.5	392.3	.....	.....	.....
16. Balancing Item—Differences between Credits and Debits Above.....	.....	21-6	.....	97.5	.....	147.4	.....	.....	.....
	844.1	844.1	294.7	294.7	.....	509.7	187.1	187.1	.....

B. Capital Account

[illegible]

TABLE 48.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1934
(In millions of dollars)

Description	Transactions Between Canada and—											
	All Countries				United Kingdom				United States			
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)		Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)		Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	
1. Commodity Trade—												
Recorded merchandise exports	660.6	513.5	147.1		271.3	113.4	157.9		228.6	293.8	61.2	
and imports		0.3				0.3						
Unrecorded imports of ships												
	660.6	513.8	146.8		271.3	113.7	157.6		228.6	293.8	65.2	
Deductions for settlers' effects												
and other non-commercial	3.7	8.3	4.6		0.5	1.0	0.5		2.9	6.8	3.9	
items												
	656.9	505.5	151.4		270.8	112.7	158.1		225.7	287.0	61.3	
Correction for overvaluation												
and undervaluation		1.5				2.9				2.7		
	656.9	504.0	152.9		270.8	115.6	155.2		225.7	284.3	58.6	
Deductions of gold items in-												
cluded above, and addition of	4.0	0.8	3.2						4.0	0.8	3.2	
silver and other coin												
	652.9	504.8	148.1		270.8	115.6	155.2		221.7	285.1	63.4	
Corrected total of commodity	109.6		109.6		27.0		27.0		82.6		82.6	
trade												
2. Gold Exports and Imports												
3. Freight Receipts and Payments												
4. Tourist Expenditures	51.4	79.3	27.9		10.7	14.3	3.6		32.0	55.1	23.1	
5. Interest and Dividend Payments	146.0	63.6	82.4		6.2	10.4	4.2		136.5	49.3	87.2	
6. Immigrants' Remittances	55.4	267.0	211.6		0.4	74.7	74.3		17.5	188.7	171.2	
7. Government Expenditures and	5.8	15.0	9.2		0.9	1.7	0.8		4.3	3.7	0.6	
Receipts												
8. Charitable and Missionary Con-	5.8	10.1	4.3		2.8	5.1	2.3		1.6	3.5	1.9	
tributions												
9. Advertising Transactions	2.0	2.0			0.1	0.1			1.8	0.1	1.7	
10. Motion Picture Royalties, etc.	2.0	1.5	0.5		0.1	0.4	0.3		1.9	1.0	0.9	
11. Capital of Immigrants and Emi-												
grants	1.9	3.6	1.7		0.1	1.5	1.4		1.7	1.7		
12. Earnings of Canadian Residents												
Employed in U.S.A. and of U.S.												
Residents Employed in Canada	3.3	0.7	2.6						3.3	0.7	2.6	

13. Net Payments for Entertainment Services, Royalties, etc., not included above.....	11-0	- 11-0	.....	2-0	- 2-0	.....	2-0	- 2-0
14. Total Credits and Debits as Above.....	961-3	+ 74-8	319-1	225-9	+ 93-2	504-9	598-4	137-0
15. Balancing Item—Differences between Credits and Debits Above.....	74-8	.....	.....	93-2	.....	93-5	75-1	.....
1,036-1	1,036-1	.....	319-1	319-1	.....	598-4	212-1	212-1

B. Capital Account

1. New Issues of Canadian Securities Sold Outside of Canada (Par Value).....	114-8	.....	.....	.....	.....	.....	.....	.....
Less Commissions and Discounts.....	3-8	.....	.....	.....	.....	.....	.....	.....
Net New Issues.....	111-0	+111-0	57-4	.....	+ 57-4	53-0	.....	+ 0-6
2. Retirements of Canadian Securities Owned Outside of Canada.....	169-0	-169-0	.....	47-5	- 47-5	.....	.....	- 2-5
3. Purchases and Sales of Outstanding Securities.....	321-2	+ 8-9	102-1	23-8	+ 78-3	216-0	284-2	4-3
4. Net Capital Transactions of International Direct Investments etc.....	50-8	- 50-8	.....	1-0	- 1-0	.....	46-1	3-7
5. Insurance Transactions, n.o.p.....	24-0	+ 3-0	12-8	2-5	+ 10-3	12-3	20-9	+ 1-3
6. Change in Estimated Net Assets of Canadian Banks Outside of Canada.....	18-9	- 18-9	1-4	.....	+ 1-4	.....	24-1	+ 3-8
7. Total Credits and Debits as Above.....	459-2	-115-8	173-7	74-8	+ 98-9	281-3	494-3	11-1
8. Balancing Item—Direct Estimate of Net Capital Movement.....	115-8	.....	.....	98-9	.....	213-0	.....	.....
9. Residual Item (Item 15, Current Account less Item 8, Capital Account).....	575-0	.....	173-7	173-7	.....	494-3	494-3	11-1
.....	41-0	.....	.....	.....	.....	.....	.....	.....

TABLE 49.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1935

(In millions of dollars)

Description	Transactions Between Canada and—											
	All Countries			United Kingdom			United States			Other Countries		
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)
1. Commodity Trade— Recorded merchandise exports and imports.....	743.3	550.3 0.5	.....	304.3	116.7 0.5	.....	278.4	312.4	.....	160.6	121.2	.....
Unrecorded imports of ships.....												
	743.3	550.8	.....	304.3	117.2	.....	278.4	312.4	.....	160.6	121.2	.....
Deductions for settlers' effects and other non-commercial items.....	3.4	8.2	.....	0.5	1.0	.....	2.6	6.6	.....	0.3	0.6	.....
	739.9	542.6	.....	303.8	116.2	.....	275.8	305.8	.....	160.3	120.6	.....
Correction for overvaluation and undervaluation.....		1.1	.....		0.4	.....			.....		1.5	.....
	739.9	541.5	.....	303.8	116.6	.....	275.8	305.8	.....	160.3	119.1	.....
Deductions of gold items included above, and addition of silver and other coin.....	4.3	1.4	.....			.....	4.3	0.8	.....		0.6	.....
Corrected total of commodity trade.....	735.6 116.7	542.9	+192.7 +116.7	303.8 15.6	116.6	+187.2 +15.6	271.5 101.1	306.6	-35.1 +101.1	160.3	119.7	+40.6
2. Gold Exports and Imports.....												
3. Freight Receipts and Payments, n.o.p.....	68.2	82.3	-14.1	20.9	21.3	-0.4	33.4	46.7	-13.3	13.9	14.3	0.4
4. Tourist Expenditures.....	214.8	95.6	+119.2	6.6	12.0	-5.4	204.7	79.1	+125.6	3.5	4.5	-1.0
5. Interest and Dividend Payments and Receipts.....	62.0	270.6	-208.6	0.5	76.2	-75.7	19.5	190.1	-170.6	42.0	4.3	+37.7
6. Immigrants' Remittances.....	6.3	15.0	-8.7	0.9	1.7	-0.8	4.8	4.1	+0.7	0.6	9.2	-8.6
7. Government Expenditures and Receipts.....	5.6	10.9	-5.3	3.0	5.5	-2.5	1.9	3.7	-1.8	0.7	1.7	-1.0
8. Charitable and Missionary Contributions.....	1.0	2.0	-1.0	0.1	0.1	.....	0.8	0.1	+0.7	0.1	1.8	-1.7
9. Advertising Transactions.....	1.7	1.4	+0.3	0.1	0.3	-0.3	1.6	0.9	+0.7	.....	0.1	-0.1
10. Motion Picture Royalties, etc.....		3.2	-3.2		0.2	-0.2		2.9	-2.9	.....	0.1	-0.1
11. Capital of Immigrants and Emigrants.....												
12. Earnings of Canadian Residents Employed in U.S.A. and of U.S. Residents Employed in Canada.....	1.7	3.1	-1.4	0.1	1.2	-1.1	1.5	1.6	-0.1	0.1	0.3	-0.2
	3.8	1.5	+2.3			.....	3.8	1.5	+2.3			

13. Net Payments for Entertainment Services, Royalties, etc., not included above.....	12.0	- 12.0	.....	2.5	- 2.5	.....	2.5	- 2.5
14. Total Credits and Debits as Above.....	1,040.5	+176.9	351.6	237.7	+113.9	644.6	221.2	158.5
15. Balancing Item—Differences between Credits and Debits Above.....	176.9	.....	.....	113.9	.....	0.3	.....	62.7
	1,217.4	.....	351.6	351.6	.....	644.6	221.2	.....

B. Capital Account

1. New Issues of Canadian Securities Sold Outside of Canada (Par Value),.....	121.0	.....	.....	.....	.....	.....	.....	.....	.....
Less Commissions and Discounts.....	4.0	.....	.....	.....	.....	.....	.....	.....	.....
Net New Issues.....	117.0	+117.0	4.9	.....	+ 4.9	111.9	0.2	+111.9	+ 0.2
2. Retirements of Canadian Securities Owned Outside of Canada.....	.....	-271.4	.....	29.2	- 29.2	.....	.....	-241.9	- 0.3
3. Purchases and Sales of Outstanding Securities.....	301.8	+ 51.0	31.0	44.1	- 13.1	268.3	2.5	+ 67.0	- 3.5
4. Net Capital Transactions of International Direct Investments, etc.....	.....	- 52.2	.....	2.0	- 2.0	.....	.....	- 47.6	- 2.6
5. Insurance Transactions, n.o.p.....	.....	- 18.0	4.0	13.4	- 9.4	13.7	2.3	- 10.2	+ 1.6
6. Change in Estimated Net Assets of Canadian Banks Outside of Canada.....	20.0	38.0	.....	.....	.....	.....	.....	.....	.....
	0.1	+ 0.1	4.7	.....	+ 4.7	.....	15.1	- 19.7	+ 15.1
7. Total Credits and Debits as Above.....	438.9	-173.5	44.6	88.7	- 44.1	393.9	20.1	-139.9	+ 10.5
8. Balancing Item—Direct Estimate of Net Capital Movement.....	173.5	.....	44.1	.....	.....	139.9	.....	.....	.....
	612.4	612.4	88.7	88.7	.....	533.8	20.1	.....	20.1
9. Residual Item (Item 15, Current Account less Item 8, Capital Account).....	3.4	.....	.....	.....	.....	.....	.....	.....	.....

TABLE 50.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1936
(In millions of dollars)

Transactions Between Canada and—												
Description	All Countries			United Kingdom			United States			Other Countries		
	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)	Credits Exports Visible and Invisible	Debits Imports Visible and Invisible	Net Credits (+) or Debits (-)
A. Current Account of Goods, Gold and Services												
1. Commodity Trade—												
Recorded merchandise exports and imports.....	957.4	635.2	.....	396.3	123.0	.....	351.5	369.9	.....	209.6	142.3	.....
Unrecorded imports of ships.....	.....	0.3	.....	.....	0.3	.....	.....	.....	.....	.....	.....	.....
Deductions for settlers' effects and other non-commercial items.....	957.4	635.5	.....	396.3	123.3	.....	351.5	369.9	.....	209.6	142.3	.....
.....	3.6	9.1	.....	0.5	1.2	.....	2.8	7.4	.....	0.3	0.5	.....
Correction for overvaluation and undervaluation.....	953.8	626.4	.....	395.8	122.1	.....	348.7	362.5	.....	209.3	141.8	.....
.....	.....	1.7	.....	.....	2.1	.....	.....	2.9	.....	.....	0.9	.....
Deductions of gold items included above, and addition of silver and other coin.....	953.8	624.7	.....	395.8	124.2	.....	348.7	359.6	.....	209.3	140.9	.....
.....	5.9	1.0	.....	.....	.....	.....	5.9	1.0	.....	.....	.....	.....
Corrected total of commodity trade.....	947.9	625.7	+322.2	395.8	124.2	+271.6	342.8	360.6	-17.8	209.3	140.9	+68.4
2. Gold Exports and Imports.....	132.0	1.0	+131.0	58.8	.....	+58.8	73.2	1.0	+72.2	.....	.....	.....
3. Freight Receipts and Payments.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4. Tourist Expenditures.....	80.2	98.0	-17.8	22.8	26.4	-3.6	41.2	53.3	-12.1	16.2	18.3	-2.1
5. Interest and Dividend Payments and Receipts.....	251.3	110.4	+140.9	8.4	15.5	-7.1	238.4	89.1	+149.3	4.5	5.8	-1.3
6. Immigrants' Remittances.....	76.2	310.0	-233.8	0.5	83.7	-83.2	29.5	221.6	-192.1	46.2	4.7	+41.5
7. Government Expenditures and Receipts.....	7.1	18.0	-10.9	0.9	1.7	-0.8	5.7	5.2	+0.5	0.5	11.1	-10.6
8. Charitable and Missionary Contributions.....	6.5	11.0	-4.5	2.9	5.5	-2.6	2.0	3.7	-1.7	1.6	1.8	-0.2
9. Advertising Transactions.....	1.0	2.0	-1.0	0.1	0.1	.....	0.8	0.1	+0.7	0.1	1.8	-1.7
10. Motion Picture Royalties, etc.....	1.8	1.4	+0.4	0.2	0.4	-0.2	1.6	0.9	+0.7	.....	.....	.....
11. Capital of Immigrants and Emigrants.....	.....	3.5	-3.5	.....	0.2	-0.2	.....	3.1	-3.1	.....	0.2	-0.2
12. Earnings of Canadian Residents Employed in U.S.A. and of U.S. Residents Employed in Canada.....	1.7	3.1	-1.4	0.2	1.2	-1.0	1.3	1.5	-0.2	0.2	0.4	-0.2
.....	3.6	1.7	+1.9	.....	.....	.....	3.6	1.7	+1.9	.....	.....	.....

	15-0	- 15-0	3-0	- 3-0	9-0	- 9-0	3-0	- 3-0
13. Net Payments for Entertainment Services, Royalties, etc., not included above.....								
14. Total Credits and Debits as Above.....	1,509-3	+308-5	490-6	281-9	+228-7	740-1	278-6	188-1
15. Balancing Item—Differences between Credits and Debits Above.....				228-7		10-7		90-5
	1,509-3		490-6	490-6		750-8	278-6	278-6

B. Capital Account

[illegible]

TABLE 51.—ESTIMATED CANADIAN BALANCE OF INTERNATIONAL PAYMENTS, 1937
(In millions of dollars)

Description	Transactions Between Canada and—											
	All Countries				United Kingdom				United States			
	Credits Exports Visible Invisible	Debits Imports Visible Invisible	Net Credits (+) Debits (-)	Credits (+) Exports Visible Invisible	Debits Imports Visible Invisible	Net Credits (+) Debits (-)	Credits (+) Exports Visible Invisible	Debits Imports Visible Invisible	Net Credits (+) Debits (-)	Credits (+) Exports Visible Invisible	Debits Imports Visible Invisible	Net Credits (+) Debits (-)
A. Current Account of Goods, Gold and Services												
1. Commodity Trade— Recorded merchandise exports and imports.....	1,125.0	808.9 2.3	.....	405.9	147.3 2.0	.....	452.4	490.5 0.2	.....	236.7	171.1 0.1	.....
Unrecorded imports of ships.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Deductions for settlers' effects and other non-commercial items.....	1,125.0	811.2	.....	405.9	149.3	.....	452.4	490.7	.....	236.7	171.2	.....
Correction for overvaluation and undervaluation.....	3.9	9.8	.....	0.5	1.2	.....	3.1	7.9	.....	0.3	0.7	.....
Deductions of gold items in- cluded above, and addition of silver and other coin.....	1,121.1	801.4	.....	405.4	148.1	.....	479.3	482.8	.....	236.4	170.5	.....
Corrected total of commodity trade.....	1,121.1	795.2	.....	405.4	149.8	.....	479.3	476.6	.....	236.4	168.8	.....
Gold Exports and Imports.....	111.4	1.2	.....	2.5	.....	.....	108.8	1.2	.....	0.1	.....	.....
Freight Receipts and Payments, n.o.p.....	1,009.7 145.1	796.4 0.1	+213.3 +145.0	402.9 31.9	149.8 0.1	+253.1 +31.8	370.5 111.1	477.8	-107.3 +111.1	236.3 2.1	168.8	+67.5 +2.1
Tourist Expenditures.....	111.7	137.2	-25.5	37.4	43.4	-6.0	45.4	67.5	-22.1	28.9	26.3	+2.6
Interest and Dividend Payments and Receipts.....	294.7	124.4	+170.3	11.0	16.3	-5.3	277.7	102.1	+175.6	6.0	6.0	.....
Immigrants' Remittances.....	78.8	325.0	-246.2	0.3	88.3	-88.0	30.8	231.0	-200.2	47.7	5.7	+42.0
Government Expenditures and Receipts.....	7.5	22.0	-14.5	0.9	1.8	-0.9	6.1	6.5	-0.4	0.5	13.7	-13.2
Charitable and Missionary Con- tributions.....	7.6	11.1	-3.5	3.1	5.9	-2.8	2.2	3.6	-1.4	2.3	1.6	+0.7
Advertising Transactions.....	0.9	2.0	-1.1	0.1	0.2	-0.1	0.7	0.1	+0.6	0.1	1.7	-1.6
Motion Picture Royalties, etc.....	2.7	2.5	+0.2	0.4	0.8	-0.4	2.2	1.6	+0.6	0.1	0.1	.....
Capital of Immigrants and Emi- grants.....	.....	4.5	-4.5	.....	0.2	-0.2	.....	4.1	-4.1	.....	0.2	-0.2
Earnings of Canadian Residents Employed in U.S.A. and of U.S. Residents Employed in Canada.....	1.6	4.1	-2.5	0.1	1.0	-0.9	1.3	2.7	-1.4	0.2	0.4	-0.2
	4.9	1.7	+	.....	.....	.....	4.9	1.7	+3.2	.....	.....	.....

TABLE 52.—CANADIAN BALANCE OF INTERNATIONAL PAYMENTS—NET BALANCES OF TRANSACTIONS BETWEEN CANADA
AND ALL COUNTRIES, 1926-1937

(In millions of dollars)												
Net Receipts or Credits (+); Net Payments or Debits (—)												
Current Account of Goods, Gold and Services												
Description	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
1. Merchandise.....	+275.6	+138.9	+131.0	-131.3	-122.1	-17.4	+73.7	+146.6	+148.1	+192.7	+322.2	+213.3
2. Gold.....	+31.5	+25.5	+89.2	+74.5	+2.7	+90.1	+73.1	+87.8	+109.6	+116.7	+131.0	+145.0
3. Tourist Trade.....	+102.5	+129.8	+167.7	+187.8	+178.8	+174.4	+155.0	+66.2	+82.4	+119.2	+140.9	+170.3
4. Interest and Dividends.....	-209.5	-218.1	-226.5	-260.1	-288.6	-279.8	-261.8	-224.3	-211.6	-208.6	-233.8	-246.2
5. Freight Receipts and Payments.....	-9.5	-12.2	-19.4	-39.1	-32.2	-24.6	-27.9	-22.1	-27.9	-14.1	-17.8	-25.5
6. Miscellaneous Services, etc.....	-10.0	-8.0	-15.8	-27.6	-25.1	-19.2	-32.4	-32.6	-25.8	-29.0	-34.0	-38.7
7. Balancing Item—												
(a) Net Receipts or Credits.....	+180.6	+55.9	+126.2	-195.8	-286.5	-76.5	-20.3	+21.6	+74.8	+176.9	+308.5	+218.2
(b) Net Payments or Debits.....												
Capital Account												
8. New Issues and Retirements of Canadian Securities.....	Not Available	+140.6	+7.3	+146.6	+290.3	-2.1	-1.0	-32.0	-58.0	-154.4	-163.9	-88.4
9. Other Security Transactions.....		-184.0	-188.0	-105.0	-13.0	-24.0	-16.0	+51.0	+8.9	+51.0	+7.8	-4.8
10. Canadian Banks' Assets Abroad.....		+16.1	+86.6	+87.8	-0.4	+27.7	+37.7	+23.9	+18.9	+0.1	+2.6	-13.0
11. Other Capital Movements.....		+23.1	+12.1	+38.5	+38.4	+34.1	-32.1	+75.3	-47.8	-70.2	-100.2	-92.6
12. Balancing Item—	This			+167.9	+315.3	+35.7						
(a) Net Inward Capital Movement.....	Year	-4.2	-82.0	27.9	28.8	40.8	-11.4	-32.4	-115.8	-173.5	-253.7	-198.8
(b) Net Outward Capital Movement.....		51.7	44.2				31.7	10.8	41.0	3.4	54.8	19.4
13. Residual Item (1).....												

(1) Difference between Balancing Items of Current and Capital Accounts.

TABLE 53.—CANADIAN BALANCE OF INTERNATIONAL PAYMENTS—NET BALANCES OF TRANSACTIONS BETWEEN CANADA AND THE UNITED KINGDOM, 1926-1937
(In millions of dollars)

Net Receipts or Credits (+); Net Payments or Debits (—)

Current Account of Goods, Gold and Services

Description	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
1. Merchandise.....	+ 293.0	+ 213.0	+ 235.8	+ 73.5	+ 62.9	+ 63.4	+ 102.8	+ 119.6	+ 155.2	+ 187.2	+ 271.6	+ 253.1
2. Gold.....	—	— 11.0	+ 4.8	—	—	+ 0.9	—	+ 63.3	+ 27.0	+ 15.6	+ 58.8	+ 31.8
3. Tourist Trade.....	— 13.5	— 11.0	— 9.9	— 10.9	— 10.2	— 6.4	— 7.3	— 5.2	— 4.2	— 5.4	— 7.1	— 5.3
4. Interest and Dividends.....	— 96.7	— 100.7	— 99.1	— 112.5	— 115.0	— 101.9	— 90.7	— 71.8	— 74.3	— 75.7	— 83.2	— 88.0
5. Freight Receipts and Payments.....	+ 6.7	— 1.2	+ 1.5	— 4.5	— 5.6	—	— 5.5	— 4.2	— 3.6	— 0.4	— 3.6	— 6.0
6. Miscellaneous Services, etc.....	— 6.6	— 7.9	+ 7.5	— 7.8	— 5.4	— 0.6	+ 1.4	—	— 6.9	— 7.4	— 7.8	— 8.8
7. Balancing Item— (a) Net Receipts or Credits..... (b) Net Payments or Debits.....	+ 182.9	+ 92.2	+ 125.6	— 62.2	— 73.3	— 44.6	+ 0.7	+ 97.5	+ 93.2	+ 113.9	+ 228.7	+ 176.8

Capital Account

	Not Available For This Year	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
8. New Issues and Retirements of Canadian Securities.....	— 15.7	— 42.5	— 15.4	—	— 17.6	— 20.8	— 13.6	+ 37.9	+ 9.9	— 24.3	— 32.3	— 25.7
9. Other Security Transactions.....	— 5.0	— 5.0	— 3.0	—	+ 1.0	— 10.0	— 19.0	+ 53.2	+ 78.3	— 13.1	+ 12.1	— 20.1
10. Canadian Banks' Assets Abroad.....	— 0.7	+ 8.6	+ 3.3	—	— 9.5	+ 17.1	+ 5.4	— 4.3	+ 1.4	+ 4.7	+ 3.3	— 15.5
11. Other Capital Movements.....	+ 5.5	— 1.3	+ 3.9	—	— 4.2	+ 1.1	— 3.1	+ 7.2	+ 9.3	— 11.4	— 11.9	— 3.2
12. Balancing Item— (a) Net Inward Capital Movement..... (b) Net Outward Capital Movement.....	— 15.9	— 40.2	— 11.2	— 30.3	— 30.3	— 12.6	— 30.3	+ 94.0	+ 98.9	— 44.1	— 28.8	— 24.3

CANADIAN BALANCE OF INTERNATIONAL PAYMENTS

TABLE 54.—CANADIAN BALANCE OF INTERNATIONAL PAYMENTS—NET BALANCES OF TRANSACTIONS BETWEEN CANADA AND THE UNITED STATES, 1926-1937

(In millions of dollars)

Net Receipts or Credits (+); Net Payments or Debits (-)

Current Account of Goods, Gold and Services

Description	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
1. Merchandise.....	-188.7	-211.6	-311.7	-365.0	-248.8	-133.9	-89.7	-39.5	-63.4	-35.1	-17.8	-107.3
2. Gold.....	+31.5	+25.5	+84.4	+74.5	+2.7	+38.8	+71.3	24.5	+82.6	+101.1	+72.2	+111.1
3. Tourist Trade.....	+129.6	+143.2	+179.7	+201.2	+191.4	+181.9	+163.8	72.5	+87.2	+125.6	+149.3	+175.6
4. Interest and Dividends.....	-126.1	-134.9	-148.3	-172.8	-197.4	-198.4	-188.3	-172.4	-171.2	-170.6	-192.1	-200.2
5. Freight Receipts and Payments.....	-21.3	-14.7	-23.7	-35.0	-27.4	-23.0	-23.2	17.0	-23.1	-13.3	-12.1	-22.1
6. Miscellaneous Services, etc.....	+13.0	+14.8	+7.0	-4.0	-3.1	-4.5	-21.1	-15.5	-5.6	-7.4	-10.2	-12.4
7. Balancing Item— (a) Net Receipts or Credits..... (b) Net Payments or Debits.....	-172.0	-177.7	-212.6	-301.1	-282.6	-89.1	-87.2	-147.4	-93.5	+0.3	-10.7	-55.3

Capital Account

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Index

(Page numbers in arabic numerals; chapter numbers in roman numerals.)

- Account—
 - Capital—*See* Capital Movements
 - Current—*See* Current Account Transactions
- Advertising, 103
- Airplane Traffic, 64
- Assets Administered for Non-Residents, 27, 149
- Balance of Payments, Nature and Purpose of, II
- Balance of Trade, 9, 15-18, VIII
- Balance Sheets, 19, 36, 51
- Bank of Canada, 60-61, 163
- Banks, Canadian—
 - Assets abroad, 44
 - Direct Investments abroad, 50
 - Fluctuations in Assets abroad, XXI
 - Gold, Monetary, 60-61
 - Insurance Company Balances abroad, 154
 - International Purchase and Sale of Securities, 127-128
 - Relation to Retirements, 121
 - Short-Term Movements of Capital, XXI
 - Tourist Expenditures, 62
- Bonds—*See* Securities
- Branch Plants—*See* Direct Investments
- Branches, Unincorporated, 31, 37
- British Investments in Canada—*See* International Indebtedness
- Direct Investments, IV
- Insurance Companies, 152-153
- Brokers, 125-128, 135
- Canada, Bank of, 60-61, 163
- Canadian Bankers' Association, 44, 126, 128, 163
- Canadian Government Credits Abroad, 44
- Canadian Insurance Companies, XX—*See* Insurance Companies
- Canadian Investments Abroad, VI, VII
- Canadian National Railways, 25
- Canadian Pacific Railway, 25, 30
- Canadian Railways in the United States, 51, 88, 148
- Capital Employed—*See* Valuations—Securities
- Capital Markets—
 - London, 22, 23, 111-112, 162, 169
 - New York, 23-24, 111-114, 162, 170
- Capital Movements—
 - General, XV
 - New Issues, XVI
 - Redemptions, XVII
 - International Trade in Securities, XVIII
 - Direct Investments and Trust Companies, XIX
 - Insurance Transactions, XX
 - Other Movements, XXI
 - Geographical Distribution, XXII
 - Long-Term, 108-109, 135
 - Short-Term, 108-109, 121, 137, 141-148, 159-160, 161-164
- Capitalization, 19, 36
- Carnegie Corporation, 103
- Charitable Donations, 103
- Chartered Vessels, 93
- Coal Freight, 73-78
- Commissions, 115
- Commodity Trade—*See* Merchandise
- Commuters, Earnings of International, 66, 106
- Congressional Globe, 10

- Consignment Shipments, 58, 59, 140-149
- Consular and Diplomatic Representatives, 102-103
- Controlled Companies—*See* Direct Investments
- Corporations—
 - Bonds—*See* Securities
 - Dividends, XIII
 - Fiscal Years, 115
 - Interest, XIII
 - Stock—*See* Securities
- Current Account Transactions—
 - General, VIII
 - Commodity Trade, IX
 - Gold, X
 - Services—
 - Tourist Trade, XI
 - Freight and Shipping, XII
 - Interest and Dividends, XIII
 - Other Services etc., XIV
 - Geographical Distribution, XXII
- Debt, Funded, 41, 42
- Defaults, 101
- Deposits, Bank, 163
- Depreciated Currencies—*See* Foreign Exchange
- Development of Balance of Payments Studies, I
- Diplomatic and Commercial Representatives, 102-103
- Direct Investments—
 - British and Foreign Direct Investments, IV
 - Unincorporated Branches, 31
 - Definition of Direct Investments in Canada, 32
 - Sources of Information, 33
 - Stocks, 33
 - Bonds, 34
 - Number of Companies, 34
 - Classification by Type of Business, 35
 - Methods of Evaluating Direct Investments, 35-38
 - Companies Incorporated in Canada, 35
 - Adjustments Due to Operations Outside of Canada, 36
 - Unincorporated Branches, 37
 - Analysis of Tables, 38-41
 - Degree of Control, 39
 - Types of Organization, 40
 - Forms of Investment, 40
 - Comparison of 1937 and 1936 data, 41
 - Canadian Direct Investments Abroad, VII
 - Analysis of Investment, 51
 - Definitions and Field Covered, 49, 50
 - Canadian Banks Abroad, 50, XXI
 - Canadian Companies Operating Entirely Abroad, 49
 - Canadian Insurance Companies Abroad, 50, XX
 - Controlled Companies, 49-51
 - Subsidiaries, 49
 - Unincorporated Branches, 51
 - Valuations, 51
 - Movements of Capital, XIX
 - General Characteristics, 139-140
 - British and Foreign Direct Investments
 - Description of Movements, 140-144
 - Analysis of Movements, 144-147
 - Canadian Direct Investments Abroad, 147-149
 - Trust Companies, 149-150
 - Summary, 150-151
- Dividends—
 - On Direct Investments, 147
 - On All Investments, XIII
- Dominion Government—
 - Expenditures Abroad, 102
 - Funded Debt Held Abroad, 25, 42
 - New Issues, 116
 - Retirements, 121-124
- Earmarked gold, 60-61

Earnings—

- Canadian Railways on Exports, 80-83
- Canadian Railways on In-Transit Traffic, 85-88
- Direct Investments, 140-144, 147-149
- Ocean Freight, 88-95
- Professional, 53, 106
- Residents of Canada in the U.S.A., 106
- Residents of the U.S.A. in Canada, 106
- U.S. Railways on Traffic to Canada, 72-80

Educational Contributions, 103

Emigrants, 105

Errors and Omissions—*See* Residual Item

Expenditures of Governments, 102-103

Exports—

- Capital—*See* Capital Movements
- Commodity, IX—*See* Merchandise
- Gold, X
- Services—*See* Current Account Transactions

External Disbursements of Canada—*See* Current Account TransactionsExternal Income of Canada—*See* Current Account TransactionsFavourable Balances of Trade—*See* Balance of Trade

Finance and Mortgage Corporations, 27

Financial Post Survey of Corporate Securities, 37

Foreign Exchange—

- Relation to Balance of Payments, 18, 107, 172
- Depreciation and Appreciation—
 - British Investments, 23
 - Direct Investments, 139, 140, 151
 - Interest, 98
 - International Trade in Securities, 133-134
 - Merchandise Trade, 56
 - Retirements, 118-119
 - Tourist Trade, 68

Foreign Investments in Canada—*See* International Indebtedness

Foreign Securities Held in Canada, 44-48

Fortune, 29

Freight and Ocean Shipping Transactions, XII

Payments—

- Imports from the U.S.A., 72-80
 - Non-Coal Imports, 72-73
 - Coal Imports, 73-78
 - Via Lake and River Ports, 74-76
 - Via All-Rail Routes, 76-77
 - Method Employed for 1937, 78-79
- Inward Ocean Freight via Canadian Ocean Ports, 88-94
 - Old Method, 88-90
 - New Method, 92-94
- Overseas Imports via the U.S.A., 91-92
- Inland Freight in Overseas Countries, 57, 58

Receipts—

- Exports to Point of Export (Inland Freight), 80-85
 - Non-Grain Exports, 80-83
 - Grain Exports, 83-85
- Exports via Canadian Ocean Vessels
 - Old Method, 88-91
 - New Method, 92-94
- In-Transit Traffic, 85-88
- Comparison of Ocean Shipping Transactions Estimated by Old and New Methods, 94
- Freight Transactions in Relation to Balance of Payments, 95
- Summary Statistics, 96

Geographical Distribution of Transactions, XXII

Gold Movements, X

- Earmarkings, 60-61
- Monetary, 60-61
- Non-Monetary, 60-61

Government Expenditures, 102-103

Historical Development of Balance of Payments Studies, I

Immigrants' Capital, 53, 104, 105

Remittances, 102

- Imports—
 - Capital—*See* Capital Movements
 - Commodity, IX—*See* Merchandise
 - Gold, X
 - Services—*See* Current Account Transactions
- Insurance Companies, XX
 - British and Foreign Companies—
 - Direct Investments, 37
 - Interest, 158
 - Investments, 26, 152-153
 - Movements of Funds, 159-160
 - Canadian Companies—
 - Bank Balances Abroad, 154
 - Direct Investments, 50
 - Interest, 156-158
 - Investments, 44, 153-155
 - Movements of Funds, 159-160
 - Sales and Purchases of Securities, 126-127, 155-158
 - Marine Insurance, 158
 - Relation of Insurance Companies to Balance of Payments, 155-160
- Inland Freight, 72-85
- Interest, XIII
 - Payments—
 - Analysis of Data, 97, 98
 - Scope of Interest and Dividends Item:
 - Direct Investments, 99, 144, 147
 - Insurance Companies, 99, 158
 - Trust Companies, 99, 149
 - Sources of Information, 98-99
 - Receipts—
 - Analysis of Data, 97, 101
 - Scope of Interest and Dividends Item:
 - Direct Investment, 100, 148
 - Insurance Companies, 100, 156-158
 - Sources of Information, 47, 99-100
- International Indebtedness—
 - Amounts and Methods, III
 - British and Foreign Capital in Canada—
 - Direct Investments, IV
 - Portfolio Investments, V
 - Canadian Investments Abroad—
 - All Groups, VI
 - Direct Investments, VII
 - Relation to Balance of Payments—
 - Annual Movements of Capital, 109-110, XV-XXII
 - Interest and Dividends, XIII
- International Trade in Securities, XVIII
 - Analysis of Trade, 129-132
 - Effects upon Balance of Payments, 136-138
 - Effects upon Canadian Investments Abroad, 48
 - Effects upon Interest Payments, 98, 136
 - Effects upon Portfolio Investments in Canadian Securities, 22
 - Effects upon Statistics of Retirements, 120-121
 - Foreign Exchange, 133-134
 - Principles followed in Recording, 127-129
 - Influences Affecting Trade, 132-136
 - Transactions of Banks, 127-128
 - Transactions of Brokers, 125-128, 135
 - Transactions of Industrial Companies, 126-127
 - Transactions of Insurance Companies, 126-127
 - Transactions of Investment Dealers, 125-128
 - Transactions of Non-Member Brokers, 126-127
 - Transactions of Trust Companies, 126
 - Treatment of New Issues, 114, 128
 - Treatment of Retirements, 118, 121, 126, 128
 - Values Recorded, 129
- In-transit Traffic, 85-88
- Investments—*See* International Indebtedness
- Investment Dealers' Association, 126
- Investment Companies, Private, 27, 46
- Investment Trusts, 27

- Invisible Items, 15
- Issues, New—*See* New Issues
- Journal of the Royal Statistical Society*, 11
- Lewis, Cleona: The International Accounts*, 9, 14
- Lottery Tickets, 53
- Magazine Subscriptions, 53
- Manufacturing, Investments in, 26
- Marine Insurance, 158
- Market Values, 19, 36, 129
- Marshall, Southard and Taylor: Canadian-American Industry*, 32, 114
- Maturities—*See* Retirements
- Mercantilism, 9
- Merchandise, IX—
 - Balances of Merchandise Trade, 9, 15-18, 55-59
 - Geographical Distribution, 166
 - Relation to Current Account, 52
 - Exports—
 - Branch Plant Movements, 59, 140-149, 151, 167
 - Consignments, 59
 - Non-Commercial Items, 55
 - Non-Monetary Gold, 60-61
 - Valuations, 58-59, 80
 - Imports—
 - Branch Plant Movements, 58, 140-149
 - Dumping, 56
 - Exchange Depreciation and Appreciation, 56
 - Miscellaneous Items of Cost, 57-58
 - Non-Commercial Items, 55
 - Tourist Imports, 57
 - Unrecorded Imports of Ships, 55
 - Valuations, 56-58, 70-71
- Metal Industries, Investments in, 26
- Mining, Investments in, 26, 27
- Missionary Contributions, 103
- Mixed Syndicates, 113-114
- Monetary Gold, X
- Money Orders, 102
- Motion Picture Earnings, 103
- Motor Traffic, 63, 64
- Mortgages, 27, 153
- Movements of Capital—*See* Capital Movements
- Municipal Bonds, Foreign Holdings of, 25, 42
- National Recovery Administration*, 29
- Nature and Purpose of Balance of Payments, II
- New Issues of Securities Abroad, XVI
 - Analysis of Statistical Data, 115-117
 - Flotations in London, 22, 111-112
 - Flotations in New York, 22, 111-114
 - General Character of Borrowing, 111
 - Joint Syndicates, 113-114
 - Legislation in the U.S.A., 114
 - Relation to International Trade in Securities, 114, 128
 - Sources of Information, 114-115
- Non-Commercial Exports and Imports of Commodities, 55
- Non-Commercial Remittances—*See* Remittances
- Nominal Values—*See* Valuations
- Nominee Holdings, 22, 34
- Ocean Shipping—*See* Shipping
- Outstanding Securities, Trade in,—*See* International Trade in Securities
- Par Values—*See* Valuations
- Pensions, 102, 103
- Portfolio Investments, V, VI
- Postal Money Orders, 102
- Professional Earnings, 53, 106
- Profits of Direct Investments, 140-144, 147-149
- Prospecting, 27
- Provincial Bonds, Foreign Holdings of, 25, 42
- Public Debt—*See* International Indebtedness
- Public Utilities, 25, 26
- Purchase and Sale of Securities—*See* International Trade in Securities
- Purpose of Balance of Payments, II

- Railways—
 - Freight Receipts and Payments—*See* Freight
 - Investments in Canada, 25
 - Investments in the U.S.A., 51, 149
- Redemptions—*See* Retirements
- Refinancing, 118, 121
- Refunding, 118
- Religious and Charitable Contributions, 103
- Remittances—
 - Advertising, 103
 - Branch Plants, XIX
 - Charitable and Missionary, 103
 - Educational, 103
 - Immigrants, 102
 - Insurance, 159-160
 - Miscellaneous, 53
 - Motion Picture, 103
 - Profits of Direct Investments, 140-144, 147-149
 - Trust Companies, 149
- Residual Item (Errors and Omissions), 53, 108, 165, 172
- Retirements of Securities Owned Abroad, XVII
 - Analysis of Statistical Data, 121-124
 - Effects of Retirements upon—
 - Interest Payments, 124
 - International Indebtedness, 121-124
 - General Character of Retirements, 118
 - Principles Employed in Compilation, 119-121
 - Relation to International Trade in Securities, 118, 121, 126, 128
 - Sources of Information, 119-120
- Rockefeller Foundation, 103
- Royalties—
 - Motion Picture, 103
 - Other, 53
- Sales and Purchases of Securities—*See* International Trade in Securities
- Say, Léon: Rapport sur la paiement de l'indemnité de guerre*, 11
- Securities—
 - Bonds—
 - Commissions and Discounts, 115
 - Foreign Bonds Held in Canada, 44-48
 - Interest—*See* Interest Payments and Receipts.
 - International Trade—*See* International Trade in Securities
 - New Issues—*See* New Issues of Securities Abroad
 - Optional Payments, 23, 98, 112, 125, 135, 158
 - Ownership, 22, 34, 42, 114
 - Retirements—*See* Retirements of Securities Owned Abroad
 - Terms of Payment, 111
 - Total Outstanding, 42
 - Valuation, 36, 115
 - Stocks—
 - Dividends, XIII
 - International Trade—*See* International Trade in Securities
 - Ownership, 22, 33
 - United States Stocks, 45-47, 125, 131-132
 - Valuation, 19-21, 36, 51
- Services—*See* Current Account Transactions
- Settlers' Effects, 55
- Ships, Unrecorded Imports of, 55
- Shipping—
 - Lake, 74-79, 82-85
 - Ocean, 88-95
- Short Term Assets and Liabilities, 44, 161-164
- Short-Term Movements of Capital—*See* Capital Movements
- Sinking Funds, 118, 120
- Smuggling, 53
- Standard Corporation Records*, 29, 37
- Stocks—*See* Securities
- Stock Exchange Official Year Book, 22, 115
- Subsidiaries—*See* Direct Investments
- Summer Homes of Americans, 27
- Syndicates, Underwriting, 111-114

- Tourist Trade, XI—
 - Methods of Estimation, 62-66
 - Tourists Entering via the U.S. Boundary—
 - By Motor Car, 63
 - By Rail and Steamer, 64
 - Other, 64
 - Canadian Tourists Entering the U.S.A.—
 - By Motor Car, 64
 - By Rail and Steamer, 64
 - Other, 64
 - Overseas Tourists—
 - Tourists Entering via Ocean Ports, 64
 - Canadian Tourists to Overseas Countries, 65
 - Trends in Expenditures, 66-69
- Trade—
 - Balance of—*See* Balance of Trade
 - Commodity—*See* Merchandise
 - Security—*See* International Trade in Securities
 - Tourist—*See* Tourist Trade
- Trust Companies, 27, 149
- Undervaluation—*See* Valuations
- "Underwriting of Foreign Securities," 115
- Underwriting Syndicates, 111-114
- Unfavourable Balances of Trade—*See* Balance of Trade
- Unincorporated Branches—
 - In Canada, 31, 37
 - In Other Countries, 51
- United States Department of Commerce, 22, 31, 32, 45, 63, 69, 115
- Valuations—
 - Merchandise—
 - C.I.F., 70, 71, 94
 - Exports, 58-59, 80
 - F.O.B., 70, 71
 - Imports, 56-58, 70-71
 - Securities—
 - Book Value, 19, 20, 21, 24, 27, 36, 51
 - Capital Employed, 19, 20, 21, 24, 26
 - Market Value, 19, 36
 - Par Value, 19, 36, 115
- Viner—"Canada's Balance of International Indebtedness, 1900-1913," 106
- Visible Trade, 15—*See* Merchandise, Gold
- Wood and Paper Products, Investments in, 26

2

